Emakhazeni Local Municipality
Financial statements
for the year ended 30 June 2015

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The reports and statements set out below comprise the financial statements presented to provincial legislature:

Abbreviations

COID	Compensation of occupations injuries and decease
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statement of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Recognised Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Municipal Manager’s approval of Annual Financial Statements

I, E.K Tshabalala, the Accounting Officer of Emakhazeni Local Municipality am responsible for the preparation of the Annual Financial Statements which are set out on pages 1 to 75 in terms of Section 126(1) of the Municipal Finance Management Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 26 of these Annual Financial Statements are within the upper limits of the framework as envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act No. 20 of 1998.

Furthermore, I wish to confirm that the draft AFS were submitted to the special Audit Committee meeting was held on the 26th of August 2015 wherein the members of the Audit Committee had an opportunity to review the financial statements prior to submission to the Auditor General.

I now submit the annual financial statements and have signed them on behalf of the municipality.

E.K TSHABALALA	Date
Acting Municipal Manager	31 August 2015

General Information

Legal form of entity	Municipality	
Municipal demarcation code	MP314	
Council		
Executive Mayor	Mr XS Ngwenya	
Speaker	Ms M Kambula	
Chief Whip	Mr SM Mondlane	
Mayoral Committee members	Mr MU Hadebe	(Chairperson Section 80 Technical & Community Services)
	Ms NA Mashele	(Chairperson Section 80 Corporate Services)
	Ms ES Radebe	(Chairperson Section 80 Finance and Economic Affairs)
Other council members	Ms AA Botha	(Member - Proportional)
	Ms SP Gwebu	(Member - Ward 6)
	Mr RB Mashele	(Member - Ward 4)
	Mr CV Lello	(Member - Proportional)
	Ms BS Mabuza	(Member - Proportional)
	Mr XD Masina	(Member - Proportional)
	Ms CN Nkosi	(Member - Proportional)
	Mr JJ Stevens	(Member - Ward 8)
	Mr MP Ntuli	(Member - Ward 2)
Grading of local authority	Emakhazeni is a Grade Two Local Authority	
Chief Finance Officer (CFO)	Mrs MM Ngwenya	
Acting Accounting Officer	Mrs EK Tshabalala	
Registered office	Municipal Buildings 25 Scheepers Street Belfast 1100	
Contact Detail:	Tel: (013) 253 7600 E-mail: municipality@emakhazenilm.co.za	
Postal address	PO Box 17 Belfast 1100	
Auditors	Auditor General of SA	
Capacity of local authority	Local Municipality	
Attorneys	Ntuli Noble Inc Nomaswazi Shabangu Attorneys T.C. Rampatla Inc BV Mbungela Attorneys	
Bankers	First National Bank Branch Code: 270351 Account Number: 62028195510	

Chief Financial Officer's Report

The Chief Financial officer submits her report for the year ended 30 June 2015.

1. <u>Introduction</u>

It is a great pleasure for me to present the Annual Financial Statements for the year ended 30 June 2015 which are attached hereto.

It is our responsibility as management to ensure that Annual Financial Statements of Emakhazeni Local Municipality fairly present financial position of the municipality. The presented Annual Financial Statements consist of the following:

1. Statement of Financial Position
2. Statements of Financial Performance
3. Statements of Changes in Net Assets
4. Cash Flow Statements
5. Statements of Comparison of Budget and Actual Amounts
6. Accounting policies
7. Notes to the Financial Statements.

The submission of the above Annual Financial Statements is in compliance with section 126 of Municipal Financial Management Act, Act No 56 of 2003.

The management and leadership of the municipality played a significant role to fulfill the mandate and responsibility by managing limited economic resources whilst focusing on effective service delivery. It is the municipality's commitment to promote sound and good governance in pursuit of clean audit. Our appreciation goes to National Treasury and Nkangala District Municipality for the role that they have played in supporting Emakhazeni Local Municipality to ensure that sound financial management and reporting is maintained by the Municipality

Again political leadership and support provided in this regard is commendable and appreciated.

2. <u>Purpose of the Annual Financial Statements</u>

The purpose of the Annual Financial Statements is to provide information on the financial position, performance and change in position of the municipality over time to users of the financial statements in a manner that will enable them to make useful economic decisions.

3. <u>Accounting Framework</u>

The municipality has done a lot in terms improving and ensuring that accurate Annual Financial Statements are prepared and submitted by fully complying with the following GRAP standards that were provided by the Accounting Standards Board and they were effective from the 01st April 2012:

- GRAP 1- Presentation of Financial Statements
- GRAP 2- Cash Flow Statements
- GRAP 3- Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9 – Revenue from Exchange Transaction

Chief Financial Officer's Report

- GRAP 12 - Inventories
- GRAP 13 – Leases
- GRAP 16 – Investment Properties
- GRAP 17 – Property, Plant and Equipments
- GRAP 19 – Provision, Contingent Liabilities and Contingent Assets
- GRAP 21- Impairment of Non- Cash-generating Assets
- GRAP 23 – Revenue from Non –exchange Transactions
- GRAP 24- Presentation of Budget Information in Financial Statements
- GRAP 25- Employee Benefits
- GRAP 26 – Impairment of Cash- generating Assets
- GRAP 31- Intangible Assets
- GRAP 103- Heritage Assets
- GRAP 104- Financial Instruments

It must be noted that where GRAP Standards are silence in accounting of certain transaction-IFRIS is applicable.

4. Key Financial Indicators

4.1 Revenue Analysis

A key indicator of wealth from a municipal perspective is its ability to generate revenue from its communities. Gross Value Added per capita and property rates income per capita are good indicators of a municipality's ability to generate its own revenue. As for Emakhazeni Local Municipality the level of economic activity is relatively low and the property rates income per capita is also low as a results the municipality has limited ability to raise it revenues.

Revenue growth = Total revenue – Previous revenue/ Previous revenue x100
Revenue growth = 165 957 749 – 194 372 723/194 372 723 x100
Revenue growth = -14%

It must be noted that even if the revenue growth analysis can show that the municipality may not sustainable its selves but when looking in the Statement of Financial Position as at 30 June 2015, the total assets of **R791 743 949** is more than the total liabilities of **R 172 151 826** which present that the municipality has more assets than liabilities. Then the interpretation is that the municipality can be able to sustain its selves in the near future.

4.2 Expenditure Management Analysis

Employee cost : Remuneration/Total operating expenditure x 100
Employee cost : 63 290 915/165 149 158 x 100
Employee cost : 38%

Emakhazeni Local Municipality's remuneration as a percentage of operating expenditure ratio is within the range of 25% to 40%, but at the maximum the range.

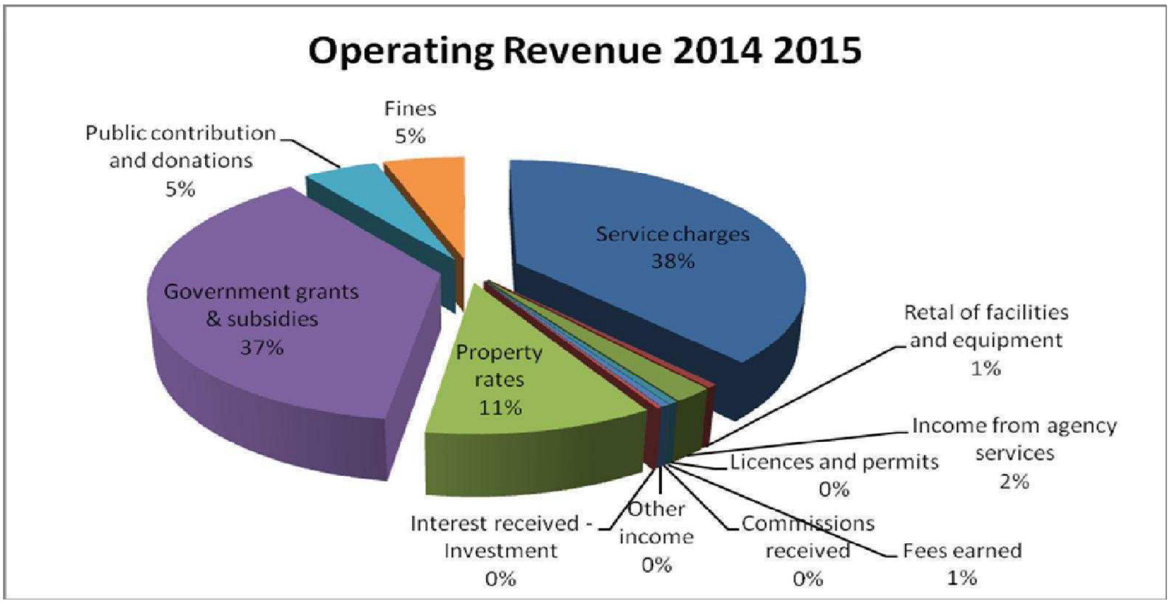
Chief Financial Officer's Report

5. Operational Results

5.1 General

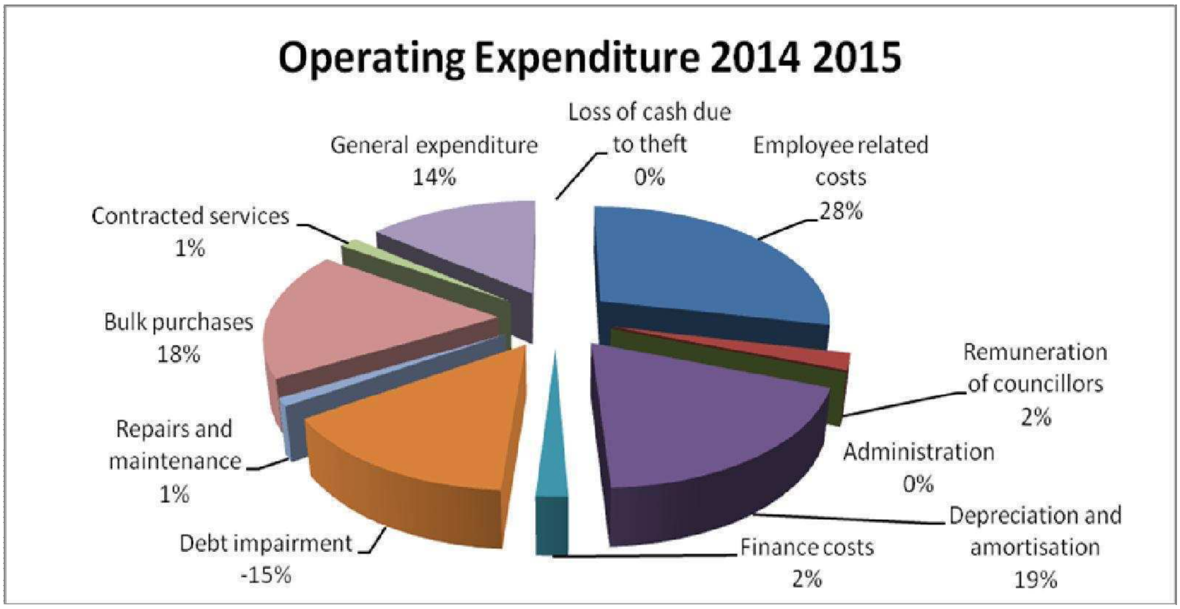
The 2014/15 budget of Emakhazeni Local Municipality was approved by Council on the 30 June 2014 and the adjustment was approved by Council on the 30 January 2015.

Details of the 2014/15 operating results for department and classification of revenue and expenditure are included in the statement of financial performance. Below is the graphical presentation of Income & Expenditure.



5.2 Operating Expenditure

The following graph represents the breakdown per main expenditure group.



6. Government Grants & Subsidies

The following table shows the amounts received in terms of grants contribution and subsidies from National Government.

No	Name of Grant	Conditional or Non-Conditional Grant	Amount
1	Equitable Share	Non- Conditional	R 41 432 000.00
2	Municipal Infrastructure Grant	Conditional	R 17 232 000.00
3	Financial Management Grant	Conditional	R 1 800 000.00
4	Municipal System Improvement	Conditional	R 934 000.00
5	Expanded Public Works Programme	Conditional	R 1 235 000.00
6	LGSETA Internship program	Conditional	R 69 000
TOTAL GRANTS			**R62 702 000.00**

7. Financing Of Capital Expenditure

For the 2014/15 financial year, Emakhazeni Local Municipality received a Municipal Infrastructure Grant for an amount of **R 17 232 000.00** from National Treasury and the following projects were executed:

No	Name of the project	Amount spend
1	Emthonjeni Extension 4 and Enkanini Township: Provision of waterborne sanitation for 800 stands phase 1	R 987 482.39
2	Emthonjeni Extension 4 and Enkanini Township: Provision of water for 800 stands	R 1 280 000.00
3	Water supply in rural areas phase 6	R 3 000 000.00
4	Madala Township: Provision of water for 500 stands	R 3 216 457.71
5	Madala Township: Provision of waterborne sanitation for 500 stands	R 2 270 435.28
6	Paving or roads around Emakhazeni Local Municipality Townships phase 2: (Road 1 Emgwenya)	R 2 616 024.00
7	Paving of roads in Dullstroom and Sakhelwe phase 5 (Paving of Siyifunile Extension 02 road)	R 2 000 000.00
8	Paving of roads around Emakhazeni Local Municipality Townships phase 2: (Mandela Elkie street in Siyathuthuka)	R 1 000 000.00
9	Project Management Unit	R 861 600.00
TOTAL		R 17 232 000.00

8. Reconciliation Of Budget To Actual

The overall final budget from revenue from exchange transaction was **R 72 647 025** and the actual was R 69 037 623 which resulted in underperformance by **R 3 609 402.** For the revenue from non exchange, the final budget was **R 132 008 311** and the actual was R96 920 126 which resulted in underperformance by **R 35 088 185**. In terms of the expenditure the overall final budget was **R 230 940 252** and the actual was **R 157 853 266** which resulted in under spending with an amount of R **73 086 986.**

Chief Financial Officer's Report

9. Property Rates

In the 2014/15 financial year, the municipality experienced a challenge in terms of implementing the valuation roll as the processed followed was challenged by rate payers. The municipality was then given a directive by the MEC for COGTA to revert back to the old valuation roll for the benefit of the community and also the municipality. After reverting back to the old valuation roll, the budgeted amount for rates was then decreased to R17 797 979.00 as reflected in the statement of financial position, and this has also decreased the debtors book of the municipality.

10. Fixed assets register

In the 2013/ 14 financial year, the municipality was unable to provide the Office of the Auditor General with a GRAP 17 compliant fixed assets register, as a result the municipality was not audited on the Fixed Assets Register. National Treasury come to rescue the municipality, as part of their support a consultant was then appointed to prepare the assets register from the scratch, which then at the same time it was addressing prior year errors.

11. Treatment of the matters raised by Auditor General during the previous Audit

Emakhazeni Local Municipality received a disclaimer audit opinion for the 2013/14 financial year. An action plan was then developed to deal with all the issues raised in the audit report and also the management letter. Most of the issues were related to the Annual Financial Statements, which were now are being addressed when preparing the presented Annual Financial Statement for the 2014/15 financial year.

The municipality has a clean audit committee which is chaired by the Executive Mayor. This committee mainly deals with the progress on correcting the findings of the Auditor General.

12. Appreciation

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Acting Municipal Managers, Senior Managers, Advisor from National Treasury, COGTA provincial and the municipal accountant from Nkangala District Municipality, for the support they have given me and also thanks the finance staff for the hard work during the 2014/15 financial year, that has ensure that the Annual Financial Statement are prepared and submitted in time to the Auditor General.

MM NGWENYA
CHIEF FINANCIAL OFFICER

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	11	6 636 361	4 290 042
Receivables from non-exchange transactions	9	3 999 128	11 315 637
Inventories	8	9 324 004	9 164 773
Receivables from exchange transactions	10	77 784 442	23 749 429
		97 743 935	**48 519 881**
Non-Current Assets			
Investment property	3	76 280 537	76 280 537
Property, plant and equipment	4	601 551 545	621 261 077
Heritage assets	6	10 255 716	10 255 716
Intangible assets	5	454 197	663 323
		688 541 995	**708 460 653**
Total Assets		**786 285 930**	**756 980 534**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	108 550 440	93 441 487
Payables from non-exchange transactions	16	148 207	148 207
Unspent conditional grants and receipts	12	1 462 937	-
VAT payable	17	4 489 084	4 258 663
Provisions	13	848 554	-
Long service award	14	229 000	179 000
		115 728 222	**98 027 357**
Non-Current Liabilities			
Post employment medical aid liability	7	8 948 000	8 887 000
Provisions	13	38 642 585	28 777 584
Long service award	14	3 375 000	3 072 000
		50 965 585	**40 736 584**
Total Liabilities		**166 693 807**	**138 763 941**
Net Assets		**619 592 123**	**618 216 593**
Net Assets			
Accumulated surplus		619 592 123	618 216 593

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	63 276 919	64 899 931
Rental of facilities and equipment		805 948	435 338
Income from agency services		3 171 904	2 793 590
Licences and permits		6 096	23 172
Fees earned		713 949	1 067 306
Commissions received		4 679	4 423
Other income	22	678 070	2 428 063
Interest received - investment	28	380 058	218 287
Total revenue from exchange transactions		**69 037 623**	**71 870 110**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	16 928 257	32 072 145
Transfer revenue			
Government grants & subsidies	21	62 087 063	55 297 000
Public contributions and donations	23	8 161 303	25 158 039
Fines		8 873 781	9 939 171
Total revenue from non-exchange transactions		**96 050 404**	**122 466 355**
Total revenue	18	**165 088 027**	**194 336 465**
Expenditure			
Employee related costs	25	(63 290 915)	(61 162 827)
Remuneration of councillors	26	(5 069 866)	(4 811 990)
Depreciation and amortisation	29	(41 288 586)	(39 953 229)
Finance costs	30	(4 080 324)	(3 839 240)
Debt impairment	27	32 363 924	(31 304 359)
Repairs and maintenance		(2 471 575)	(4 420 335)
Bulk purchases	34	(39 403 834)	(35 302 306)
Contracted services	33	(3 272 476)	(3 548 460)
General expenses	24	(38 635 506)	(34 177 322)
Total expenditure		**(165 149 158)**	**(218 520 068)**
Operating deficit		**(61 131)**	**(24 183 603)**
Gain/(loss) on disposal of assets		-	8 167
Gain/(loss) on actuarial valuation		1 437 000	2 791 000
Gain/(loss) on impairment of assets		-	(14 756)
Gain/(loss) of cash due to theft		(340)	-
		1 436 660	**2 784 411**
Surplus/(Deficit) for the year		**1 375 529**	**(21 399 192)**

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported 01 July 2013	453 323 041	453 323 041
Adjustments		
Prior year adjustments (Note 39)	186 292 744	186 292 744
Restated balance at 01 July 2013	**639 615 785**	**639 615 785**
Prior year adjustments (Note 39)	(443 686)	(443 686)
Surplus/(deficit) for the year as previously reported	(20 955 506)	(20 955 506)
Restated surplus/(deficit) for the year	(21 399 192)	(21 399 192)
Total changes	(21 399 192)	(21 399 192)
Restated balance as at 01 July 2014	**618 216 594**	**618 216 594**
Surplus/(deficit) for the year	1 375 529	1 375 529
Total changes	1 375 529	1 375 529
Balance at 30 June 2015	**619 592 123**	**619 592 123**

Note(s)

* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		80,065,702	162,188,534
Grants		63,550,000	55,297,000
Interest income		380,058	218,287
		143,995,760	217,703,821
Payments			
Employee costs		(65,308,397)	(61,162,826)
Suppliers		(57,475,693)	(118,063,872)
Finance costs		(4,080,324)	(3,839,240)
		(126,864,414)	(183,065,938)
Net cash inflow from operating activities	35	**17,131,346**	**34,637,883**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(14,785,027)	(36,567,697)
Disposal of property, plant and equipment	4	-	26,460
Purchase of other intangible assets	5	-	170,000
Net cash outflow from investing activities		**(14,785,027)**	**(36,371,237)**
Net increase/(decrease) in cash and cash equivalents		**2,346,319**	**(1,733,354)**
Cash and cash equivalents at the beginning of the year		4,290,042	6,023,396
Cash and cash equivalents at the end of the year	11	**6,636,361**	**4,290,042**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	75 076 596	(5 900 000)	**69 176 596**	63 276 919	**(5 899 677)**	
Rental of facilities and equipment	443 861	(25 400)	**418 461**	805 948	**387 487**	Note 44 No 1
Income from agency services	2 384 080	(373 796)	**2 010 284**	3 171 904	**1 161 620**	Note 44 No 2
Licences and permits	32 535	(25 935)	**6 600**	6 096	**(504)**	
Fees earned	912 300	(253 197)	**659 103**	713 949	**54 846**	
Commissions received	17 649	(12 649)	**5 000**	4 679	**(321)**	
Other income	140 301	(33 320)	**106 981**	678 070	**571 089**	Note 44 No 3
Interest received - investment	216 240	47 760	**264 000**	380 058	**116 058**	Note 44 No 4
Total revenue from exchange transactions	**79 223 562**	**(6 576 537)**	**72 647 025**	**69 037 623**	**(3 609 402)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	62 805 778	(560 000)	**62 245 778**	16 928 257	**(45 317 521)**	Note 44 No 5
Government grants & subsidies	63 634 333	-	**63 634 333**	62 087 063	**(1 547 270)**	
Transfer revenue						
Public contributions and donations	-	-	**-**	8 161 303	**8 161 303**	Note 44 No 6
Fines	5 401 225	(151 025)	**5 250 200**	8 873 781	**3 623 581**	Note 44 No 7
Total revenue from non-exchange transactions	**131 841 336**	**(711 025)**	**131 130 311**	**96 050 404**	**(35 079 907)**	
Total revenue	**211 064 898**	**(7 287 562)**	**203 777 336**	**165 088 027**	**(38 689 309)**	
Expenditure						
Personnel	(77 758 881)	(20 000)	**(77 778 881)**	(63 290 915)	**14 487 966**	Note 44 No 8
Remuneration of councillors	(5 108 645)	-	**(5 108 645)**	(5 069 866)	**38 779**	
Administration	(20 000)	-	**(20 000)**	-	**20 000**	Note 44 No 9
Depreciation and amortisation	(50 979 600)	-	**(50 979 600)**	(41 288 586)	**9 691 014**	Note 44 No 10
Finance costs	(1 537 000)	(400 000)	**(1 937 000)**	(4 080 324)	**(2 143 324)**	Note 44 No 11
Debt impairment	(9 190 200)	-	**(9 190 200)**	32 363 924	**41 554 124**	Note 44 No 16
Repairs and maintenance	(8 285 578)	2 387 573	**(5 898 005)**	(2 471 575)	**3 426 430**	Note 44 No 12
Bulk purchases	(40 769 696)	-	**(40 769 696)**	(39 403 834)	**1 365 862**	
Contracted Services	(3 473 604)	150 000	**(3 323 604)**	(3 272 476)	**51 128**	
General Expenses	(37 304 790)	1 370 169	**(35 934 621)**	(38 635 506)	**(2 700 885)**	
Total expenditure	**(234 427 994)**	**3 487 742**	**(230 940 252)**	**(165 149 158)**	**65 791 094**	
Operating deficit	**(23 363 096)**	**(3 799 820)**	**(27 162 916)**	**(61 131)**	**27 101 785**	
Gain/(loss) on disposal of assets	204 000	-	**204 000**	-	**(204 000)**	Note 44 No 13
Gain/(loss) on actuarial valuations	(1 484 000)	20 000	**(1 464 000)**	1 437 000	**2 901 000**	Note 44 No 14
Loss of cash	-	-	**-**	(340)	**(340)**	Note 44 No 15
	(1 280 000)	**20 000**	**(1 260 000)**	**1 436 660**	**2 696 660**	
Surplus before taxation	**(24 643 096)**	**(3 779 820)**	**(28 422 916)**	**1 375 529**	**29 798 445**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(24 643 096)**	**(3 779 820)**	**(28 422 916)**	**1 375 529**	**29 798 445**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 135 000	-	**1 135 000**	9 324 004	**8 189 004**	Note 44 Nr 17
Receivables from non-exchange transactions	2 631 750	-	**2 631 750**	3 999 134	**1 367 384**	Note 44 Nr 18
Receivables from exchange transactions	55 889 208	-	**55 889 208**	77 784 436	**21 895 228**	Note 44 Nr 19
Cash and cash equivalents	1 650 000	-	**1 650 000**	6 636 361	**4 986 361**	Note 44 Nr 20
	61 305 958	**-**	**61 305 958**	**97 743 935**	**36 437 977**	
Non-Current Assets						
Investment property	34 321 000	-	**34 321 000**	76 280 537	**41 959 537**	Note 44 Nr 21
Property, plant and equipment	479 531 400	(170 800)	**479 360 600**	601 551 545	**122 190 945**	Note 44 Nr 22
Intangible assets	488 000	(25 000)	**463 000**	454 197	**(8 803)**	
Heritage assets	-	-	**-**	10 255 716	**10 255 716**	Note 44 Nr 23
	514 340 400	**(195 800)**	**514 144 600**	**688 541 995**	**174 397 395**	
Total Assets	**575 646 358**	**(195 800)**	**575 450 558**	**786 285 930**	**210 835 372**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	20 554 000	-	**20 554 000**	108 550 440	**87 996 440**	Note 44 Nr 25
Taxes and transfers payable (non-exchange)	-	-	**-**	148 207	**148 207**	Note 44 Nr 26
VAT payable	15 000 000	-	**15 000 000**	4 489 084	**(10 510 916)**	Note 44 Nr 27
Unspent conditional grants and receipts	1 000 000	-	**1 000 000**	1 462 937	**462 937**	Note 44 Nr 28
Provisions	-	-	**-**	848 554	**848 554**	Note 44 Nr 29
Long service award	-	-	**-**	229 000	**229 000**	Note 44 Nr 30
	36 554 000	**-**	**36 554 000**	**115 728 222**	**79 174 222**	
Non-Current Liabilities						
Post employment medical aid liability	9 800 000	-	**9 800 000**	8 948 000	**(852 000)**	
Provisions	31 294 000	-	**31 294 000**	38 642 585	**7 348 585**	Note 44 Nr 31
Long service award	4 000 056	-	**4 000 056**	3 375 000	**(625 056)**	Note 44 Nr 32
	45 094 056	**-**	**45 094 056**	**50 965 585**	**5 871 529**	
Total Liabilities	**81 648 056**	**-**	**81 648 056**	**166 693 807**	**85 045 751**	
Net Assets	**493 998 302**	**(195 800)**	**493 802 502**	**619 592 123**	**125 789 621**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	493 998 302	(195 800)	**493 802 502**	619 592 123	**125 789 621**	Note 44 Nr 33

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	144 943 805	(6 775 322)	**138 168 483**	98 037 567	**(40 130 916)**	Note 44 Nr 34
Grants	63 634 333	-	**63 634 333**	62 087 063	**(1 547 270)**	
Interest income	216 240	47 760	**264 000**	380 058	**116 058**	Note 44 Nr 35
	208 794 378	**(6 727 562)**	**202 066 816**	**160 504 688**	**(41 562 128)**	
Payments						
Employee costs	(78 916 214)	-	**(78 916 214)**	(62 818 914)	**16 097 300**	Note 44 Nr 36
Suppliers	(92 700 460)	3 907 762	**(88 792 698)**	(70 242 201)	**18 550 497**	Note 44 Nr 37
Finance costs	(1 537 000)	(400 000)	**(1 937 000)**	(4 080 324)	**(2 143 324)**	Note 44 Nr 38
	(173 153 674)	**3 507 762**	**(169 645 912)**	**(137 141 439)**	**32 504 473**	
Net cash flows from operating activities	**35 640 704**	**(3 219 800)**	**32 420 904**	**23 363 249**	**(9 057 655)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(17 267 400)	-	**(17 267 400)**	(22 946 330)	**(5 678 930)**	Note 44 Nr 39
Disposal of property, plant and equipment	204 000	-	**204 000**	1 576 400	**1 372 400**	Note 44 Nr 40
Net cash flows from investing activities	**(17 063 400)**	**-**	**(17 063 400)**	**(21 369 930)**	**(4 306 530)**	
Cash flows from financing activities						
Movement in long service award	-	-	**-**	353 000	**353 000**	Note 44 Nr 41
Other cash item	(62 400)	-	**(62 400)**	-	**62 400**	Note 44 Nr 42
Net cash flows from financing activities	**(62 400)**	**-**	**(62 400)**	**353 000**	**290 600**	
Net increase/(decrease) in cash and cash equivalents	18 514 904	(3 219 800)	**15 295 104**	2 346 319	**(13 073 585)**	Note 44 Nr 43
Cash and cash equivalents at the beginning of the year	(39 879 204)	-	**(39 879 204)**	4 290 042	**44 169 246**	Note 44 Nr 44
Cash and cash equivalents at the end of the year	**(21 364 300)**	**(3 219 800)**	**(24 584 100)**	**6 636 361**	**31 095 661**	

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with prior periods, except for the changes set out in Changes in Accounting policy note.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

We draw attention to the fact that at the end of the reporting period, the current liabilities exceeds the current assets, but as per the debt ratio the municipality is at 20% - 25% . This basis presumption is that the funds will be available to finance further operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality will continue to strengthen the going concern basis with the following:

* collection rate of consumer debtors to increase

* benchmarking and prioritisation of expenditure

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions used may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates and supply and demand, together with economic factors such as inflation and interest rates.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/ amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7 - Employee benefit obligations.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fines

Fines are recognised as revenue when it is probable that future economic benefits or service potential will flow to the municipality and benefits can be measured.

The municipality shall intinially recognize the full amount of revenue at the transaction date.

The municipality shall subsequent to initial recognition and measurement, assess the collectability of the revenue and recognize an impairment loss where appropriate.

1.3 Presentation currency and rounding

These financial statements are presented in South African Rand and all the amounts had been rounded off to the nearest tense, which is the functional currency of the municipality.

1.4 Net basis

Transactions arising from a group of similar transactions are reported on a net basis, unless when it is material, then it is disclosed separately.

1.5 Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.5 Comparative information (continued)

Change in accounting policy:

The adoption of GRAP Standards, it will be considered to be a change in accounting policy and therefore all the comparative information will be restated as retrospective changes will be done.

Change in accounting estimate:

All changes in accounting estimates will be prospectively changed and therefore no restatement of comparative information will be required

Errors:

All errors that are material will be corrected retrospectively and therefore all the comparative information will be restated, while non material errors will be corrected prospectively and the comparative information is therefore not restated.

1.6 Borrowing costs

1.7 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

* a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
* a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation
  - the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.8 Employee benefits

Short-term employee benefits

Short -term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Short -term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees rendered the related service.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for the service:
* as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
* as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. Present obligation exists when the municipality has no realistic alternative, but to make the payments.

Other post retirement obligations

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of the expected life span. Independent qualified actuaries carry out valuations of these obligations.

The municipality has an obligation to provide long service leave benefits to all of its employees who was and is in continued service at the same employer. According to the rules of the leave policy, which the municipality instituted and operates, an employee qualifies for these long service benefits on the following periods:

* After 10 years service - 10 working days
* After 15 years service - 20 working days
* After 20 years service - 30 working days
* After 25 years service - 30 working days
* After 30 years service - 30 working days
* After 35 years service - 30 working days
* After 40 years service - 30 working days
* After 45 years service - 30 working days

1.8 Employee benefits (continued)

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Funding Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

* the present value of the defined benefit obligation at the reporting date;
* minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

* actuarial gains and losses, which is recognised immediately
* the effect of any curtailments or settlements

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.9 Investment property

Investment property comprise of land and or buildings (or parts of buildings) or both, held by the municipality as owner, or as lessee under a finance lease, to earn rental revenues of for capital appreciation or both. Typical investment property include:

1.9 Investment property (continued)

- office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties)
- shopping centres (developed along similar lines);
- housing developments (developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit).

Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position. Investment property is initially measured at its cost.

After initial recognition, all investment property shall be measured at fair value. Transaction costs are included in the initial measurement.

Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any , and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.10 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) they comprise any land and building held (by the owner or by the lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

If the municipality chooses the revaluation model for its Land and Buildings, then after recognition as an asset, Land and Buildings whose fair value can be measured reliably shall be carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciated and subsequent accumulated impairment losses.

1.10 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.10 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Land is not depreciated as it is deemed to have an indefinite useful life
Buildings	15-60 years
Infrastructure	
• Electricity	10 - 60 years
• Other structure	15 - 60 years
• Railways	60 years
• Roads	10 - 80 years
• Sanitation	10 - 60 years
• Water	5 - 60 years
Community	
• Community assets	15 - 60 years
Other assets	
• Emergency equipment	5 - 7 years
• Furniture and fittings	5 - 7 years
• Motor vehicles	7 - 15 years
• Office equipment	5 - 7 years
• Plant and equipment	5 - 7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.11 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.12 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the note for Heritage assets.

Heritage assets are measured at cost. Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indications exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.13 Intangible assets

Servitudes granted under these conditions do not meet the "identifiably" criteria above the following reasons:
- They cannot be sold, transferred, rented or exchanged freely and are not separable from the entity.
- They arise from rights granted to the entity in statute and are specifically excluded fro GRAP102 as they are "internally generated rights".

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

1.13 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	10 years - indifinite

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.14 Impairment of cash-generating assets

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash or non-cash generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

1.14 Impairment of cash-generating assets (continued)

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Financial instruments

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other payables	Financial liabilities measured at amortised cost

Initial recognition and measurement

Initial recognition of financial assets or financial liabilities:

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial asset using trade date accounting.

Initial measurement of financial assets and financial liabilities:

1.15 Financial instruments (continued)

The municipality measures a financial asset or a financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

* a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan, or: *
non-exchange revenue, in accordance with the Standards of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
* financial instruments at fair value;
* financial instruments at amortised cost
* financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectablility of financial assets

The municipality assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

1.15 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the recoverable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial ssets are measured at amortised cost.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the use of an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Were financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets are measured at cost.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to receive cash flows from the financial asset have expired, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, an is able to exercise that ability unilaterally and with out needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.15 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Receivables from exchange transactions

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the statement of financial performance.

Payables from exchange transactions

Creditors are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.16 Leases (continued)

Operating leases - lessor

Revenue for leases is disclosed under revenue in statement of financial performance.

Operating lease payments are recognised as an expense according to the signed contract.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.17 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Useful life is either:
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.18 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.19 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of the municipality after deducting all of its liabilities.

1.20 Grants in aid

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 Events after the reporting date

Events after the reporting date that are classified as adjustments events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.22 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

1.22 Revenue from exchange transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.23 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

1.23 Revenue from non-exchange transactions (continued)

Transferred assets are measured at their fair value as at the date of acquisition.

Rates, including collection charges and penalties

Revenue for rates, including collection charges and penalty interest, is recognised when:
* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
* the amount of the revenue can be measurement reliably; and
* to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted and is expenditure that is not in terms of the conditions of an allocation received from of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Value added tax

The municipality accounts for Value Added Tax on the cash basis.

1.28 Taxation

The municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

1.29 Budget information

The approved budget is prepared on accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from the 1st of July to the 30th of June of the current financial year.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.30 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members whom may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.31 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are include in the disclosure notes in the following cases:

* approved and contracted commitments;
* where the expenditure has been approved and the contract has been awarded at the reporting date; and
* where disclosure is required by a specific standards of GRAP

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt standards and interpretations in this current financial year.

2.3 Standards and interpretations not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

3. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	76 280 537	-	76 280 537	76 280 537	-	76 280 537

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	76 280 537	76 280 537

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	76 280 537	76 280 537

Restrictions on the reliabilities of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:
- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

3. **Investment property (continued)**
   - on disposal of investment property not carried at fair value:
     - the fact that the entity has disposed of investment property not carried at fair value,
     - the carrying amount of that investment property at the time of sale, and
     - the amount of gain or loss recognised.

4. **Property, plant and equipment**

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	5 085 952	-	5 085 952	6 662 352	-	6 662 352
Buildings	78 237 073	(43 789 200)	34 447 873	77 041 097	(42 183 968)	34 857 129
Infrastructure	1 209 182 167	(683 318 143)	525 864 024	1 188 008 087	(646 717 088)	541 290 999
Community	33 882 667	(22 719 422)	11 163 245	33 882 667	(21 772 039)	12 110 628
Other property, plant and equipment	33 120 433	(8 129 982)	24 990 451	32 544 159	(6 204 190)	26 339 969
Total	**1 359 508 292**	**(757 956 747)**	**601 551 545**	**1 338 138 362**	**(716 877 285)**	**621 261 077**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	6 662 352	-	(1 576 400)	-	5 085 952
Buildings	34 857 128	1 195 976	-	(1 605 231)	34 447 873
Infrastructure	541 290 999	21 174 080	-	(36 601 055)	525 864 023
Community	12 110 628	-	-	(947 383)	11 163 245
Other property, plant and equipment	26 339 969	576 274	-	(1 925 791)	24 990 451
	621 261 076	**22 946 330**	**(1 576 400)**	**(41 079 460)**	**601 551 544**

Reconciliation of property, plant and equipment - 2014

	Restated opening balance (cost)	Additions	Disposals	Acc Depreciation	Total
Land	6 688 812	-	(26 460)	-	6 662 352
Buildings	36 458 496	-	-	(1 601 368)	34 857 128
Infrastructure	545 588 491	31 187 737	-	(35 485 229)	541 290 999
Community	13 058 011	-	-	(947 383)	12 110 628
Other property, plant and equipment	22 670 131	5 379 960	-	(1 710 122)	26 339 969
	624 463 941	**36 567 697**	**(26 460)**	**(39 744 102)**	**621 261 076**

Additional information

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	434 428	434 428
Additions/capital expenditure	14 751 866	14 751 866
Transferred to Additions / other assets	(12 167 502)	(12 167 502)
	3 018 792	**3 018 792**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	2 052 383	2 052 383
Additions/capital expenditure	8 126 637	8 126 637
Transferred to Additions / other assets	(9 744 592)	(9 744 592)
	434 428	**434 428**

Cash deposits were received from the Department of Sports and Recreation and Department of Education to secure the purchase of property.

5. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 916 806	(1 462 609)	454 197	1 916 806	(1 253 483)	663 323

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	663 323	(91 548)	454 197

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	702 449	170 000	(209 126)	663 323

6. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage Sites	10 255 716	-	10 255 716	10 255 716	-	10 255 716

Figures in Rand	2015	Restated 2014

6. Heritage assets (continued)

Reconciliation of heritage assets 2015

	Opening balance	Total
Heritage Sites	10 255 716	10 255 716

Reconciliation of heritage assets 2014

	Opening balance	Total
Heritage Sites	10 255 716	10 255 716

Heritage assets which fair values cannot be reliably measured

Berg-en-dal monument

The following heritage asset were not recognised due to a reliable measurement not being possible on initial recognition: Berg-en-dal Monument is located just outside Emakhazeni (Belfast) on the N4 road towards Nelspruit. Erected in 1935, the monument honours those killed at the Battle of Berg-en-dal in Belfast, one of the largest battles of the Anglo-Boer War (1899-1902) in South Africa.

7. Post employment medical aid liability

Medical Scheme Arrangements

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several approved medical aid scheme, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution rate structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy arrangements

The municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners will receive a 60% subsidy subject to the maximum amount of R3,763.30 per month per employee. (R3,618.04 in 2014)
- Some continuation members that were retired prior to the introduction of the current policy will continue to receive a 60% subsidy.
- The maximum subsidy is expected to increase at 75% of inflation in 2013 in 2014 it reduced to 50% and now in 2015 it increase at 50%

The amounts recognised in the statement of financial position are as follows:

	2015	Restated 2014
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	8 948 000	8 887 000

The fair value of plan assets includes:

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

7. Post employment medical aid liability (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Opening balance	8 887 000	10 167 000
Contributions by plan participants	573 000	789 000
Exchange differences	807 000	821 000
Benefits paid	(261 000)	(288 000)
Assumed in an entity combination	(1 058 000)	(2 602 000)
Closing balance	**8 948 000**	**8 887 000**

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	573 000	789 000
Interest cost	807 000	821 000
Actuarial (gains) losses	(1 058 000)	(2 602 000)
	322 000	**(992 000)**

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	9,48 %	8,94 %
Expected rate of return on assets	7,56 %	7,05 %
Expected rate of return on reimbursement rights	8,56 %	8,05 %
Actual return on reimbursement rights	0,85 %	0,82 %

Discount rate

IAS 19 defines the determination of the discount rate assumption to be used as the rate that can be determined by reference to market yields at the financial position date on high quality corporate bonds. In countries were there is no deep market in such bonds, the market yields (at financial position date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations

We used the nominal and real zero curves supplied by JSE to determine our discount rates and CPI assumptions at each relevant time period. in the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years, as at 30th of June 2015.

Medical aid inflation

The medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. The current year's actuaries do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Figures in Rand	2015	Restated 2014

7. Post employment medical aid liability (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Total accrued liability	9 316 000	9 374 000
Interest cost	866 000	852 000
Service cost	570 000	602 000

The amounts for the current annual reporting period and previous reporting period:

				30 June 2015	30 June 2014
Defined benefit obligation	-	-	-	8 948 000	8 887 000

8. Inventories

Water	49 221	59 548
Inventory	2 254 176	2 084 618
Land	7 020 607	7 020 607
	9 324 004	**9 164 773**

9. Receivables from non-exchange transactions

Employee Debtors	8 577	30 421
Government grants and subsidies spend but not yet received	11 737	36 237
Traffic fines debtors	476 150	663 951
Expenditure in advance	-	1 018 530
Property rates	2 187 205	9 566 498
Accrued Revenue	1 315 459	-
	3 999 128	**11 315 637**

Other non-exchange receivables (excl property rates)

	2015	2014
Employee debtors	8 577	30 422
Government grants and subsidies spend but not yet received	11 737	36 237
Traffic fines debtors	520 650	742 700
Impairment of Traffic debtors	(44 500)	(78 900)
Expenditure in advance	-	1 018 530
Accrued Revenue	1 315 459	-
Net balance	**1 811 923**	**1 748 989**

Property Rates	2015	2014
Business/Industrial/ Institute	9 299 417	10 539 028
Government/State owned	729 423	2 278 583
PSI	(114 562)	739 272
Agricultural	28 791 463	2 010 129
Residential	2 472 831	29 402 206
Allowance for impairment	(38 991 367)	(35 402 720)
Net balance	**2 187 205**	**9 566 498**

Figures in Rand	2015	Restated 2014

9. Receivables from non-exchange transactions (continued)

Property rates

	2015	2014
Current (0-30 days)	5 853 928	3 701 981
31-60 days	1 003 398	3 285 120
61-90 days	948 243	3 095 091
91-120 days	944 288	3 059 618
121->365 days	32 428 715	31 827 408
Allowance for impairment	(38 991 367)	(35 402 720)
	2 187 205	**9 566 498**

10. Receivables from exchange transactions

Gross balances		
Other receivables	1 177 009	1 181 143
Consumer receivables	95 664 223	77 622 147
	96 841 232	**78 803 290**
Less: Allowance for impairment		
Consumer receivables	(19 056 790)	(55 053 861)
Net balance		
Other receivables	1 177 009	1 181 143
Consumer receivables	76 607 433	22 568 286
	77 784 442	**23 749 429**
Other receivables		
> 365 days	1 177 009	1 181 143
Net Consumer receivables		
Current (0 -30 days)	7 184 066	4 193 631
31 - 60 days	2 965 378	3 436 461
61 - 90 days	4 610 101	1 784 977
91 - 120 days	2 111 197	1 701 871
121 - >365 days	78 589 957	66 505 207
Impairment	(19 056 790)	(55 053 861)
	76 403 909	**22 568 286**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(55 053 861)	(39 324 331)
Contributions to allowance	35 997 071	(15 729 530)
	(19 056 790)	**(55 053 861)**

The following councilors consumer debtor's receivable's owing at 30 June 2015:

		Total	Current	30 Days	60 Days	90+ Days
X.S Ngwenya	(Account nr 720008)	R 364.56	R 282.84	R 81.72	R 0.00	R 0.00
N.A Mashele	(Account nr 740573)	R 306.74	R 304.03	R 2.71	R 0.00	R 0.00
S.M Mondlane	(Account nr 1511309)	R 1 471.65	R 210.26	R 210.26	R 210.26	R 840.87

Figures in Rand	2015	Restated 2014

10. Receivables from exchange transactions (continued)

B.S Mabuza	(Account nr 1205790)	R 1 090.97	R 203.58	R 203.58	R 207.58	R 476.23
CV Lello	(Account nr 116092)	R 1 280.52	R 337.21	R 337.21	R 337.21	R 268.89
CN Nkosi	(Account nr 1502173)	R 180.50	R 180.50	R 0.00	R 0.00	R 0.00

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	Restated 2014
Cash on hand	13 976	13 976
Bank	902 537	262 704
Short-term deposits	5 719 848	4 013 362
	6 636 361	**4 290 042**

Cash and cash equivalents pledged as guarantee

	2015	Restated 2014
Total financial assets pledged as guarantee for Eskom Debt factoring arrangement in which the financial counter parties retain recourse in the event of receivables default	26 300	26 300

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
FIRST NATIONAL BANK - CHEQUE ACC - 62028195510	814 996	189 461	463 618	902 537	262 704	586 536
FIRST NATIONAL BANK - CALL ACC - 61165004600	2 774 865	1 306 249	2 175	2 774 865	1 306 249	2 175
FIRST NATIONAL BANK - 32-DAY ACC- 74006889065	2 000	2 000	2 000	2 000	2 000	2 000
FIRST NATIONAL BANK - CALL ACC - 62178430212	2 115 630	1 803 062	5 422 255	2 115 630	1 803 062	5 422 255
FIRST NATIONAL BANK - CALL ACC - 62076419508	152 749	902 050	113 329	152 750	902 050	113 329
FIRST NATIONAL BANK- 7-DAY ACC-74483123713	674 603	-	-	674 603	-	-
Total	**6 534 843**	**4 202 822**	**6 003 377**	**6 622 385**	**4 276 065**	**6 126 295**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	Restated 2014
Unspent conditional grants and receipts		
Financial Management Grant	1 255 064	-
Municipal Systems Improvement Grant	81 456	-
EPWP Grant	126 417	-
	1 462 937	**-**

See note 21 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2015	Restated 2014

13. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Landfill sites rehabilitation	28 777 584	9 865 001	38 642 585
Other provisions	-	848 554	848 554
	28 777 584	**10 713 555**	**39 491 139**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Landfill sites rehabilitation	27 152 931	1 624 653	28 777 584

	2015	Restated 2014
Non-current liabilities	38 642 585	28 777 584
Current liabilities	848 554	-
Total Provisions	**39 491 139**	**28 777 584**

Environmental rehabilitation costs

The municipality engages in waste disposal operations from residential and business areas within the borders of the municipality.

The remaining site life for a disposal facility can only be determined for a licensed site, where the maximum permitted waste body height is stipulated in the permit/license. Together with this, a topographical survey of the site is required to determine the remaining airspace volumes. From the site's waste data (disposal rate) the remaining lifetime can be estimated. If a site does not have a weighbridge, assumptions must be made as to the volume of waste landfill at the site in question. Compaction factors and the volume of cover material used will also need to be assumed if this cannot be provided by the site owner/operator.

Due to information not being available, facilities not being licensed or for reasons stated above, the following list of assumptions were made in order to provide an estimation for the rehabilitation of the sites addressed:
- the rehabilitation requirements for Dullstroom and Machadodorp wee assumed to be G:C:B- for reasons stated above
- all sites assumed to be B- stated above
- it is assumed that the footprints that require rehabilitation as described and indicated above are correct and will be verified by ELM
- minimal shaping of the waste body required
- the rates for topsoil and/or selected cover material are based on the assumption that it could be imported from nearby areas and that sufficient quantities are available and the material is free of charge
- it was assumed that all the sites are fenced as indicated in the available documentation
- it was assumed that insufficient volumes of clay would be available for the Belfast capping layers and it was replaced with Geosynthetic Clay Liner in the estimate

Legal proceedings provisions

Other provisions are due to the following legal proceedings.

1) Mosango Properties - The second respondent which is Siyathuthuka Stars unlawfully occupied the applicant's property and commenced the construction of certain buildings on the property with the apparent blessing of the first responded which is the municipality. The Sheriff was ordered by the High Court to attach and/or take possession of the account holders' rights & interest in the total amount mentioned above. A provision is made for the outstanding amount of R17,752.43

Figures in Rand	2015	Restated 2014

13. Provisions (continued)

2) Parimolapo Developers CC - The plaintiff claims that a contract between Emakhazeni Local Municipality and themselves had been unlawfully terminated. A settlement has been reached which require provision to be made for the outstanding amount of R502 020.

3) ELMIR Holdings - This claim relates to the land that was sold to plaintiff with R500 00 next to the hospital for the purpose of development. it was then later realised that two portions of that land doesn't belong to the Municipality but to a private owner. The claim was for out of pocket expenses, refund of the deposit and interest. A settlement has been reached which require a provision to be made for the outstanding amount of R182 528

4) A Du Plessis - The municipality was served with a bill of taxation by A Du Plessis. A provision is therefore made for the claim amount of R7 580.

5) FST Transport - The municipality was served with a bill of taxation by FST Transport for failing to take note and attend to the notice of taxation by the Magistrate Court. A provision is therefore made for the claim amount of R138 674.

14. Long service award

Long service award arrangements

As per government gazette an employee shall qualify long service reward in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:
* After 10 years of service - 10 working days
* After 15 years of service - 20 working days
* After 20 years of service - 30 working days
* After 25 years of service - 30 working days
* After 30 years of service - 30 working days
* After 35 years of service - 30 working days
* After 40 years of service - 30 working days
* After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted (per day) on the date on which an employee qualifies or at any stage thereafter .
Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuation of assets

The long service leave awards liability of the municipality is unfunded. No dedicated assets have been set aside to meet this number of years in service.

The amounts recognised in the statement of financial position are as follows:

Carrying value	30 June 2015	30 June 2014
Present value	3 604 000	3 251 000

Changes in the present value of the defined benefit obligation are as follows:

	30 June 2015	30 June 2014
Opening balance	3 251 000	2 845 000
Current service cost	387 000	360 000
Interest cost	263 000	216 000
Benefits paid	(179 000)	(269 000)
Actuarial loss / (gain)	(118 000)	99 000
	3 604 000	**3 251 000**

Net expenses recognised in the statement of financial performance

Figures in Rand	2015	Restated 2014

14. Long service award (continued)

	30 June 2015	30 June 2014
Current service cost	387 000	360 000
Interest cost	263 000	216 000
Actuarial loss / (gain)	(118 000)	99 000
	532 000	**675 000**

Key assumptions

	30 June 2015	30 June 2014
Discount rate	Yield Curve	7,96 %
Consumer price inflation	Difference between nominal and real yield curve	6,33 %
Normal salary increase rate	Equal to CPI + 1%	7,33 %
Net effective discount rate	Yield Curve Based	0,59 %
		22,21 %

Sub-heading

The effect of a 1% p.a. variance change in the normal salary inflation assumptions are as follows:

2015	One percentage point increase	One percentage point decrease
Total accrued liability	3 906 000	3 549 000
Current service cost	454 000	429 000
Interest cost	370 000	289 000
	4 730 000	**4 267 000**

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the long service awards liability.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The liability amounts for the current annual reporting period and previous reporting period are as follows:

	30 June 2015	30 June 2014
Current obligation portion	229 000	179 000
Non current obligation portion	3 375 000	3 072 000
Total present value of obligation	**3 604 000**	**3 251 000**

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

15. Payables from exchange transactions

Trade payables	71 583 592	63 844 046
Debtors received in advance	10 228 021	4 034 193
Consumer deposits	1 647 403	1 609 164
Deferred revenue	8 693 079	8 725 498
Unallocated receipts	8 389 047	7 714 193
Retention	2 674 931	2 191 051
Employee Accrual	462 687	943 244
Leave pay provision	4 754 649	4 282 648
Consumer Refunds	117 031	97 450
	108 550 440	**93 441 487**

16. Payable from non-exchange transactions

Pre paid deposit	148 207	148 207

17. VAT payable

VAT receivable	5 458 019	4 102 979
VAT payable	9 947 103	8 361 642
Net VAT Payable	**4 489 084**	**4 258 663**

18. Revenue (excl Interest & other revenue)

Service charges	63 276 919	64 899 931
Rental of facilities and equipment	805 948	435 338
Income from agency services	3 171 904	2 793 590
Licences and permits	6 096	23 172
Fees earned	713 949	1 067 306
Commissions received	4 679	4 423
Other income	678 070	2 428 063
Interest received - investment	380 058	218 287
Property rates	16 928 257	32 072 145
Government grants & subsidies	62 087 063	55 297 000
Public contributions and donations	8 161 303	25 158 039
Fines	8 873 781	9 939 171
	165 088 027	**194 336 465**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	63 276 919	64 899 931
Rental of facilities and equipment	805 948	435 338
Income from agency services	3 171 904	2 793 590
Licences and permits	6 096	23 172
Fees earned	713 949	1 067 306
Commissions received	4 679	4 423
Other income	678 070	2 428 063
Interest received - investment	380 058	218 287
	69 037 623	**71 870 110**

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

18. Revenue (excl Interest & other revenue) (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	16 928 257	32 072 145
Transfer revenue		
Government grants & subsidies	62 087 063	55 297 000
Public contributions and donations	8 161 303	25 158 039
Fines	8 873 781	9 939 171
	96 050 404	**122 466 355**

19. Property rates

Rates received

Residential	13 568 319	14 949 259
Agriculture	688 785	3 914 061
Government/Stated owned	270 804	5 790 031
PSI	9 472	673 242
Business/Industrial/Institute	3 260 599	6 781 810
Less: Income forgone	(869 722)	(36 258)
	16 928 257	**32 072 145**

20. Service charges

Sale of electricity	33 173 395	35 437 602
Sale of water	13 305 108	13 953 837
Sewerage and sanitation charges	8 136 024	7 702 383
Refuse removal	8 662 392	7 806 109
	63 276 919	**64 899 931**

21. Government grants and subsidies

Equitable share	39 995 000	36 151 000
Equitable share Councillors	2 285 000	2 384 000
Financial Management Grant	544 936	1 550 000
Municipal Systems Improvement Grant	852 544	890 000
Municipal Infrastructure Grant	17 232 000	13 322 000
Expanded Public Works Program Incentive Grant	1 108 583	1 000 000
LGSETA Internship program	69 000	-
	62 087 063	**55 297 000**

Housing Project

Current year receipts	-	3 470 105
Conditions met - expenditure	-	(3 470 105)
Restated closing balance	**-**	**-**

Emakhazeni is acting as an agent on behalf of the Department of Human Settlement with regard to this subsidy by receiving the subsidy on behalf of the contractor and paying the contractor on behalf of the department.

Figures in Rand	2015	Restated 2014

21. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	11 093 354
Current year receipts	17 232 000	13 322 000
Conditions met transferred to revenue	(17 232 000)	(13 644 414)
MIG money paid back to Treasury (by means of withholding of funds)	-	(10 770 940)
Accumulative Rollover	**-**	**-**

This grant is a conditional grant. The purpose of this grant is for the construction and upgrade of infrastructure to a basic level to ensure service delivery.

Financial Management Grant

Current year receipts	1 800 000	1 550 000
Conditions met - transferred to revenue	(544 936)	(1 550 000)
Rollover	**1 255 064**	**-**

This grant is a conditional grant. This grant is for the purpose to assist in financial management of the Financial department within a municipality.

Municipal Systems Improvement Grant

Current year receipts	934 000	890 000
Conditions met - transferred to revenue	(852 544)	(890 000)
Rollover	**81 456**	**-**

This is a conditional grant. The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act of 2000.

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

21. Government grants and subsidies (continued)

Expanded Public Works Programme

Balance unspent at beginning of year	-	67 305
Current year receipts	1 235 000	1 000 000
Conditions met - transferred to revenue	(1 108 583)	(1 000 000)
EPWP money paid back to Treasury (by means of withholding of funds)	-	(67 305)
Rollover	**126 417**	**-**

This is a conditional grant. The purpose of this grant to create temporary work opportunities and income for unemployed community members.

22. Other income

Sundry revenue	495 088	2 152 742
Membership fees	3 982	6 321
Long service award movement	179 000	269 000
	678 070	**2 428 063**

23. Donations

In kind: Other assets	543 113	5 020 387
Cash: Youth development	-	30 000
In kind: Infrastructure assets	6 422 214	20 107 652
In kind: Buildings	1 195 976	-
	8 161 303	**25 158 039**

Figures in Rand	2015	Restated 2014

24. General expenses

Advertising	199 231	208 493
Auditors remuneration	2 692 250	2 919 293
Bank charges	364 706	516 160
Information books	20 778	53 203
Chemicals	291 102	-
Cleaning	31 670	129 217
Community development and training	194 591	293 085
Consulting and professional fees	4 184 075	3 319 840
Donations	31 262	48 741
Entertainment	96 296	94 631
Free basic services	871 512	2 340 069
Fuel and oil	2 254 627	2 796 967
Milk and water sample testings	13 361	-
Protective clothing	235 141	666 434
Insurance	658 118	512 213
Indigent fund	1 494 609	374 139
IT Expenses	2 375	31 843
Licenses fees	1 026 646	992 072
Water manufacturing expenses	5 241 865	6 470 763
Material and Stock	30 342	92 063
Other expenses	182 188	1 061 471
Printing and stationery	1 182 693	1 058 880
Refuse	51 153	43 216
Rental expenses	805 850	705 689
Rehabilitation landfill site	9 865 001	1 654 122
Subscriptions and membership fees	9 581	787 918
Telephone and fax	1 745 833	1 419 431
Law enforcement service fee	4 448 122	4 736 785
Tollgate	40 414	45 918
Training	48 500	325 335
Transport/travel cost & Subsistance	321 614	479 331
	38 635 506	**34 177 322**

In terms of Sec 125 (c) of MFMA the Audit Fees not yet paid on 30 June 2015 amounted to R 0.00.

Consulting and professional fees are made up of the following services:	2014/2015	2013/2014
* Economic services	R 3,523,105	R 2,666,784
* Engineering services	R 660,970	R 653,056

Figures in Rand	2015	Restated 2014

25. Employee related costs

Basic	37 939 652	35 805 624
Bonus/13th cheque	2 715 548	2 651 208
Medical aid - company contributions	2 466 461	2 451 440
UIF	373 387	366 230
Skills Development Levy	489 710	471 341
Leave pay provision charge	1 022 384	287 509
SALGBC	25 180	24 892
Group & Provident Fund	23 462	27 107
Medical retirement benefit	1 629 178	1 865 025
Pension	7 366 307	7 206 815
Overtime payments	2 277 392	2 525 655
Long-service awards	650 000	576 000
Standby allowances	991 656	1 050 451
Car allowances	4 624 311	4 660 334
Housing benefits and allowances	48 188	48 974
Acting allowances	418 649	941 165
Telephone allowance	229 450	203 057
	63 290 915	**61 162 827**

In terms of Sec 125 (c) of MFMA the following amounts are still outstanding as at 30 June 2015:
PAYE: R 1 198 158.71
Pension fund contributions: R 957 236.06
Medical aid contributions: R 436 516.05

Emakhazeni is a category 2 municipality as per the Categoriztion and Job Evaluation Wage Curves Agreement that whereby employee cost and council members remuneration are implemented as a category 2 municipality.

Remuneration of EK Tshabalala - Acting Municipal Manager

Telephone allowance	2 500	-

Ms EK Tshabalala serves as Acting Municipal Manager seconded by COGTA since 15 January 2015.

The expenditure of the Acting Municipal Manager is included under Employee related cost - this is only a breakdown.

Remuneration of TJ Shoba - Municipal Manager

Annual remuneration	328 312	440 241
Car allowance	73 092	125 300
Leave paid out	-	94 812
Contributions to UIF, medical and pension funds	96 097	135 886
SALGBC and Skills development	3 968	7 884
Acting Allowance	-	106 501
Back pay	-	34 690
Telephone Allowance	7 087	-
	508 555	**945 314**

Mrs TJ Shoba served as Acting Municipal Manager since 09/03/2013 until 18/03/2014.

Mrs TJ Shoba serves as Municipal Manager as from 19/03/2014 until her resignation date of 14/01/2015.

The expenditure of the Municipal Manager is included under Employee related cost - this is only a breakdown.

Figures in Rand	2015	Restated 2014

25. Employee related costs (continued)

Remuneration of SA Khumalo - Technical Services Manager

Annual remuneration	-	206 654
Car allowance	-	91 987
Contributions to UIF, medical and pension funds	-	66 435
SALGBC & skills development contributions	-	3 695
Back pay	-	23 590
Leave paid out	-	58 584
	-	**450 945**

Mr SA Khumalo served as Manager Technical Services until 24/01/2014.

The expenditure of the Manager Technical Services Manager is included under Employee related cost - this is only a breakdown.

Remuneration of N Singh - Community Services Manager

Annual remuneration	401 570	385 480
Car allowance	150 077	150 077
Telephone allowance	9 000	9 000
Contributions to UIF, medical and pension funds	130 623	123 223
SALGBC & skills development contributions	5 491	5 535
Back pay	-	23 590
	696 761	**696 905**

The expenditure of the Community Services Manager is included under Employee related cost - this is only a breakdown.

Remuneration of IM Abdullah - Corporate Services Manager

Annual Remuneration	374 690	-
Leave Paid Out	37 118	-
Acting Allowance	21 789	100 984
Telephone Allowance	8 250	-
Car Allowance	116 088	-
Housing Allowance	6 402	-
Market Premium Allowance	26 215	-
Insurance Allowance	4 500	-
Backpay	-	-
Contribution to UIF, Medical Aid and Pension Funds	115 492	-
SALGBC and Skills development	11 136	-
	721 680	**100 984**

Mr IM Abdullah serves as Acting Corporate Services Manager since 09/03/2013 until 30/09/2014.

Mr IM Abdullah serves as Corporate Services Manager as from 01/10/2014.

The expenditure of the Corporate Services Manager is included under Employee related cost - this is only a breakdown

Remuneration of LO Sindane - Technical Service Manager

Annual Remuneration	404 196	-
Leave Paid Out	18 715	-
Acting Allowance	8 125	50 465
Telephone Allowance	8 250	-

Figures in Rand	2015	Restated 2014

25. Employee related costs (continued)

Car Allowance	130 289	-
Market Premium Allowance	26 215	-
Backpay	1 192	-
Contribution to UIF, Medical Aid and Pension Funds	74 540	-
SALGBC and Skills development	5 487	-
	677 009	**50 465**

Mr LO Sindane served as Acting Manager Technical Service since 20/12/2013 to 30/04/2014

Mr LO Sindane serves as Manager Technical Services as from 01/10/2015..

The expenditure of Technical Service Manager has been included under Employee related cost - This is only a breakdown.

Remuneration of LC Oosthuizen - Acting Community Manager

Acting Allowance	-	3 877

Mr LC Ootshuizen served as Acting Manager Community Service since 20/12/2013 to 08/01/2014.

The expenditure for Acting Manager Community Service has been included under Employee related cost - this is only a breakdown

Remuneration of LD Mkhonza - Planning and Development Manager

Annual remuneration	439 904	252 289
Car Allowance	103 309	60 263
Telephone Allowance	9 000	5 250
Acting Allowance	-	49 498
Contribution to UIF, Medical and Pension funds	139 056	78 723
SALGBC and Skills development	5 594	3 041
Backpay	-	6 129
	696 863	**455 193**

Mr LD Mkhonza serves as Manager Planning and Development as from 04/12/2013.

The expenditure for Manager Planning and Development is included under Employee related costs - This is only a breakdown.

Remuneration of MM Ngwenya - Chief Financial Officer

Annual remuneration	454 905	116 255
Car Allowance	90 509	22 627
Telephone Allowance	9 000	2 352
Leave Paid Out	-	53 743
Contributions to UIF, Medical and Pension funds	136 856	32 196
SALGBC and Skills development	5 455	1 957
Back pay	-	6 529
	696 725	**235 659**

Mrs MM Ngwenya serves as Chief Financial Officer as from 19/03/2014.

The expenditure for Chief Financial Officer is included under Employee related cost - this is only a break down

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

26. Remuneration of councillors

Total	5 069 866	4 811 990

Executive Mayor	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Ngwenya XSH	350 285	21 768	161 051	35 000	31 260	101 869

Executive Committee	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Hadebe MU	283 220	21 768	120 788	-	24 120	82 030
Mashele NA	293 433	21 768	120 788	-	24 120	71 743
Radebe ES	302 073	21 768	120 788	-	24 120	63 041
	878 726	**65 304**	**362 364**	**-**	**72 360**	**216 814**

Speaker	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Kambula M	413 647	21 768	-	-	25 548	64 161

Councillors	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Botha AA	126 040	21 768	48 315	-	11 268	20 050
Gwebu SP	99 932	21 768	48 315	-	11 268	46 347
Ntuli MP	147 357	19 160	-	-	11 268	22 933
Lello CV	126 040	21 768	48 315	-	11 268	20 050
Mabuza BS	126 040	21 768	48 315	-	11 268	20 050
Mashele RB	141 945	21 768	-	-	11 268	52 441
Masina XD	126 040	21 768	48 315	-	11 268	20 050
Mondlane SM	168 053	21 768	-	-	11 268	26 144
Nkosi CN	155 027	21 768	-	-	11 268	39 264
Stevens JJ	69 767	21 768	48 315	-	11 268	76 730
	1 286 241	**215 072**	**289 890**	**-**	**112 680**	**344 059**

The remuneration of the political office-bearers and councilors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

27. Debt impairment

Contributions to debt impairment provision	(32 363 924)	31 304 359

28. Investment revenue

Interest revenue		
Interest on cheque account	16 817	21 928
Interest on investment account	363 241	196 359
	380 058	**218 287**

29. Depreciation and amortisation

Property, plant and equipment	41 079 460	39 744 103
Intangible assets	209 126	209 126
	41 288 586	**39 953 229**

Figures in Rand	2015	Restated 2014

30. Finance costs

Interest paid	4 080 324	3 839 240

Total interest revenue, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R380 058 (2014: R218287).

31. Auditors' remuneration

Fees	2 692 250	2 919 293

32. Operating lease

A lease contract was entered into between the municipality and Ms AD Nel for the lease of a premises. The premises is leased to facilitate the municipality's Technical services offices. The lease period on month to month basis with a yearly 6.5% lease payment escalation.

Minimum lease payment due		
Within one year	421 740	-

A lease contract was entered into between the municipality and Seartec Trading (Pty) Ltd T/A Sharp Electronics for the rental of photocopier machines. This lease is for the period of three years. The lease repayment is at a fixed amount over the lease term with no escalation clause.

Minimum lease payment due		
Within one year	308 429	-
In second year to fifth year	616 858	-
	925 287	**-**

33. Contracted services

Security Services	3 272 476	3 548 460

34. Bulk purchases

Electricity	39 403 834	35 302 306

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014
35. Cash generated from operations		
Surplus (deficit)	1,375,529	(21,399,192)
Adjustments for:		
Depreciation and amortisation	41,288,586	39,953,229
Gain/(loss) on sale of assets	-	(8,167)
Loss of money due to theft	340	-
Gain/(loss) on actuarial valuation	(1,437,000)	(2,791,000)
Impairment on asset	-	14,756
Debt impairment	(32,363,924)	31,304,359
Increase in assets	-	-
Movements in retirement benefit assets and liabilities	-	(1,280,000)
Movements in provisions	10,713,555	1,654,112
Other non-cash items	(5,148,241)	6,662,007
Changes in working capital:		
Inventories	(159,231)	(7,405,000)
Consumer receivables	(21,671,089)	(24,085,542)
Other receivables from non-exchange transactions	7,316,510	4,528,608
Payables from exchange transactions	15,108,953	20,118,748
VAT	230,421	(1,521,977)
Payables from non-exchange transactions	-	(352,399)
Unspent conditional grants and receipts	1,462,937	(11,160,659)
Movement in Long service award	353,000	406,000
Movement in Post employment medical aid liability	61,000	-
	17,131,346	**34,637,883**

36. Commitments

Authorised current expenditure

Approved and contracted for		
- Contractors	9 841 227	760 805
- Insurance	593 473	85 187
- Security	314 585	-
	10 749 285	**845 992**

Authorised capital expenditure

Approved and contracted for		
• Roads, Pavements, Bridges & Stormwater	251 016	1 113 703
• Water & Sewer Reticulation	1 428 390	421 128
• Water Reservoir	-	355 734
• Other	-	13 366
	1 679 406	**1 903 931**

The committed capital expenditure relates to plant and equipment and will be financed by external funds (conditional grants).
The committed current expenditure relates to operating expenditure and will be financed by internal funds.

This expenditure will be financed for 2015/2016 from:

1.) Government Grants R 1 679 406

2.) Own Funds R 10 749 284

This expenditure will be financed for 2014/2015 from:

1.) Government Grants R 1 903 931

2.) Own Funds R 845 992

37. Contingencies

Contingent liabilities
Forthwith is a list of possible liability claims where the outcome was unknown at year end.

1). Parimolapo Developers CC - The plaintiff claims that a contract between Emakhazeni Local Municipality and themselves had been unlawfully terminated. The claim is for the amount of R 992 774. A settlement has been reached in the current year and therefore this claims require a provision to be made. See provision - Note 15

2). ELMIR Holdings - This claim relates to the land that was sold to plaintiff with R500 00 next to the hospital for the purpose of development. it was then later realised that two portions of that land doesn't belong to the Municipality but to a private owner. The claim is for the amount of R1 500 000 as the plaintiff added their expenses incurred for designs and studies. A settlement has been reached in the current year and therefore this claims require a provision to be made. See provision - Note 15

3). C. Meadows - Municipality received a claim damages for collision of Municipal TLB driven by France Mahlangu and a vehicle. The claim is for the amount of R48 000. A settlement has been reached in the current year and this settlement was paid.

4). Collin Zimu and others - A lawsuit was received from the family attorneys for negligence on the side of the municipality and liability claim is anticipated not to exceed R500 000.

5). M. Saunders - Ms Saunders claimed that she fell into a storm water drain which was opened in Dullstroom and as a result she sustained serious injuries. The claim is for the amount of R100 000

6). Magoveni Business Trust - Magoveni Holdings claim that municipality appointed them with a letter dated 06th of May 2013 and entered into a service level agreement on the 15th May 2013 for a period of three years, Where in Magoveni was to assist the municipality with the provision of credit control and debt collection support. The contract was terminated by the municipality. The claim is for the amount R3 144 235

7). Road Freight Association - The municipality has entered into the service level agreement with Emakhazeni Municipal fire and emergency service on 3 January 2013. In terms of this agreement Emakhazeni Fire and Emergency Services was expected to render fire and emergency service for and on behalf of the municipality. It is evident that there were acts committed by Emakhazeni Fire and Emergency Services that led to institution of the legal action by the Road Freight Association against the municipality and others. The road fright association requested the court to invoke the provisions of section 1, 9 and 10 of the Fire Brigade Service Act, Act 99 of 1987 of charging the fee to trucking companies for the purported performance of "primary incident management services" and "Scene safety services" in the manner described and in the circumstances articulated.

8). SAMWU - Municipal employees embarked on an unprotected strike without any engagements and/or dispute with the municipality.

9). JJ Nelson - The municipality received a claim being personal injuries and damages to the plaintiff's motorcycle when the plaintiff hit a pothole. The claim is for the amount of R638 315.

Contingent assets

1) SAMWU Provident Fund - this claim relates to a refund due to the Municipality for Provident Fund Contributions made toward members who was found to have transferred to the Municipal Employees Pension Fund. The claim is for the amount of R 3 151 603

2) P.E. Fakude - this claim relates to the former employee of Emakhazeni LM she was charged for the money that she collected for banking purposes but she did not bank such money amounting to R300 000

3) Shatadi Auctioneers - This claim relates the municipality entered into a Service Level Agreement with Shatadi Auctioneers on the 04th July 2013, wherein Shatadi was appointed to dispose the redundant assets on behalf of the municipality. In terms of clause four (4) of the agreement Shatadi was supposed to pay the proceeds of the sale to the municipality within seven (7) working days of receiving the money, but to date they have not done so. This claim is for the amount of R791 931

37. Contingencies (continued)

4) B.J. Mashifane - This claim relates to the former employee of the municipality whom was charged for financial misconduct which led to the loss in the amount of R139 703.

5) Magoveni Business Trust - This claim relates to the municipality appointed Magoveni Holdings with a letter dated the 06th of May 2013 and entered into a service level agreement on the 15th of May 2013 for a period of three years, wherein Magoveni was to assist the municipality with provision of credit control and debt collection support. The contract was terminated by the municipality. At the time of termination some outstanding fees was due to the municipality. The amount the municipality claims is R6 562 951.

38. Related parties

Members of key management - Section 57	Ms EK Tshabalala (Acting Municipal Manager - Seconded by COGTA)
(Refer to note 27 for remuneration etc)	Ms TJ Shoba (Municipal Manager - resigned Jan 15)
	Ms MM Ngwenya (Chief Financial Officer)
	Mr LO Sindane (Manager Technical Services)
	Ms N Singh (Manager Community Services)
	Mr I Abdulla (Manager Corporate Services)
	Mr LD Mkhonza (Manager Planning and Development)
	Mrs M Tshabangu (MFIP Phase II Advisor - National Treasury)
	....
Members of council	Mr XS Ngwenya (Executive Mayor)
(Refer to note 28 for remuneration etc)	Ms M Kambula (Speaker)
	Mr SM Mondlane (Chief Whip)
	Mr MU Hadebe (Mayoral Committee member)
	Ms NA Mashele (Mayoral Committee member)
	Ms ES Radebe (Mayoral Committee member)
	Ms AA Botha (Council member)
	Ms SP Gwebu (Council member)
	Mr RB Mashele (Council member)
	Mr CV Lello (Council member)
	Ms BS Mabuza (Council member)
	Mr XD Masina (Council member)
	Mr MP Ntuli (Council member)
	Ms CN Nkosi (Council member)
	Mr JJ Stevens (Council member)
	....
Audit Committee	Mr MA Maphetho (Chairperson)
	Mr L Langalibalele (Member)
	Advocate L Thubakgale (Member)
	Mr S Ngwenya (Member)
	Mr MG Mathabathe (Member)
	Mr VK Chuene (Member - contract expired Feb 15)
	Mr T Gafane (Member - contract expired Feb 15)
	....
Retirement Benefit	IJ Berrange
	SW Joubert
	HS Lewis
	AC Mare'
	MJ Pienaar
	AC Strydom
	MD Minnaar

No related parties transactions were incurred by councilors, management and staff of Emakhazeni.

39. Prior period errors

Nature	Ref note nr	Effect on accumulate surplus	Amount of Prior year error
1.) General expenditure: Line item TMT expenditure has been renamed Law enforcement service fee	Note 24	-	-
2.) Inventory: Sub line items has been restated between inventory and water inventory.	Note 8	-	-
3.) Receivables from non-exchange transactions: Sub line Property rates has been restated into categories of consumer debtors.	Note 9	-	-
4.) Property rates: Note have been restated where it has been sub divided into corrected categories.	Note 19	-	-
5.) Employee related cost: Sub line item PMU salaries has been restated under line item basic salaries.	Note 25	-	-
6.) Understated Government grants and subsidy (Receivables from non-exchange) and Understated Pre-paid deposits (Payables from non-exchange transactions), due to wrong classification of conditional subsidy received.	Note 9	-	1 943
7.) Long service Awards: It has been restated wereby the amount has been split between current liabilities and non-current liabilities.	Note 14	-	-
8.) Understated Repairs and Maintenance and Overstated Inventory, due to a calculation error and opening balance of water inventory.	Note 8	5 435	5 435
9.) Overstated Revenue from non-exchange (Property Rate) and Receivable from non-exchange transactions (Property Rates), due to consumer accounts that was incorrectly billed.	Note 9	22 414 498	22 414 498
10.) Overstated Revenue from exchange transaction (Service charges) and Overstated Receivable from exchange transactions, due to incorrect consumer billing.	Note 10	38 409	38 409
11.) Understate Revenue (Income from agency services) and Understated Receivables from non-exchange transaction, due to information not being available.	Note 9	(151)	151
12.) Overstated Revenue (Income from agency services) and Understated Payables from exchange transactions, due to information not being available.	Note 15	995	995
13.) Understated Revenue (Public contributions and Donations) and Understated Property, Plant and Equipment, due to a new asset register being introduced.	Note 4	(14 879 476)	14 879 476
14.) Understated Revenue (Fines) and Understated Receivables from non-exchange transactions, due to correction of compliance to Grap 23.	Note 9	(732 250)	732 250
15.) Overstated Revenue (Other revenue) and Understated Payables from exchange transactions, due to new asset register being introduced corrections are done.	Note 15	600 664	600 664
16.) Understated Revenue (Other revenue) and Overstated Payables from non-exchange transactions, due to information not being available.	Note 16	(324 342)	324 342
17.) Overstated Revenue (Other revenue) and Overstated Receivables from exchange transactions, due to creditors reconciliation not done at the required time.	Note 10	286 969	286 969
18.) Understated Revenue (Other revenue) and Understated VAT payable, due to VAT reconciliation not being correctly done.	Note 19	(2 252 732)	2 252 732
19.) Understated Expenditure (Employee cost) and Understated Payables from exchange transactions, no information provided for correct accounting at that time.	Note 25	663 605	663 605
20.) Overstated Expenditure (Depreciation) and Understated Property, Plant and Equipment, due to new asset register being introduced corrections are done.	Note 29	(9 366 283)	9 366 283

Notes to the Financial Statements

Figures in Rand		2015	Restated 2014
39. Prior period errors (continued)			
21.) Understated Expenditure (Finance cost) and Understated Payables from exchange transactions, due to reconciliation for VAT/Creditors not done at the required time.	Note 30	772 715	772 715
22.) Understated Expenditure (Finance cost) and Understated VAT payable, due to VAT reconciliation not being correctly done.	Note 30	904 771	904 771
21.) Understated Expenditure (Debt impairment) and Overstated Receivables from non-exchange transactions, due to correction of compliance to Grap 23.	Note 9	78 900	78 900
24.) Understated Expenditure (Repairs and Maintenance) and Overstated Property, Plant and Equipment, due to new asset register being introduced corrections are done.	Note 4	38 249	38 249
25.) Understated Expenditure (Repairs and Maintenance) and Understated Payables from exchange transaction, due to reconciliation not done correctly.	Note 15	247 526	247 526
26.) Understated Expenditure (Bulk purchases) and Understated Payables from exchange transaction, due to reconciliation not done correctly.	Note 33	1 046 077	1 046 077
27.) Understated Expenditure (General Expenditure) and Understated Payables from exchange transactions, due to reconciliation not done correctly.	Note 24	900 107	900 108
29.) Understated Payables from exchange transaction and Understated Property, Plant and Equipment, due to new asset register being introduced corrections are done.	Note 4	-	57 873
30.) Understated Receivables from non-exchange transaction (Traffic debtors) and Understated Payables from exchange transactions (Pre paid deposits), due to correction of compliance to Grap 23.	Note 9	-	10 450
31.) Understated Receivables from non-exchange transactions and Understated VAT payable, due to VAT reconciliation not being correctly done.	Note 9	-	4 102 979
32.) Overstated Expenditure (Accumulated Surplus) and Understated Property, Plant and Equipment, due to new asset register being introduced corrections are done.	Note 4	-	186 292 744
33.) Understated Payables from non-exchange transactions and Overstated VAT payable, due to VAT reconciliation not being correctly done.	Note 16	-	7 778 488
34.) Overstated Revenue from non-exchange (Property Rates) and Overtstate Expenditure (General Expenditure), due to rebates on revenue being disclosed as expenditure instead of revenue forgone.	Note 16	-	36 258
		443 686	**-**

40. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk), cash flow interest rate risk, credit risk and liquidity risk.

Liquidity risk

Emakhazeni manages its liquidity risks by managing its working capital, capital expenditure, external borrowings.

Interest rate risk

Emakhazeni is exposed to interest rate risks on its financial liabilities. In the prior financial years the municipality had 11 variable interest bearing finance leases with Wesbank, these leases were repaid and therefore at the end of the financial year there were no interest bearing finance leases. Refer to Appendix A.

Figures in Rand	2015	Restated 2014

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Currency risk

Emakhazeni is not exposed to any Currency risks as all transactions are undertaken in Rands.

41. Unauthorised expenditure

	2015	Restated 2014
Unauthorized expenditure for the prior year (non-cash items)	44,269,845	42,960,082
Unauthorised expenditure incurred in the current year (non-cash item)	-	1,309,763
Condoned during the 2013/2014 financial year	-	(42,960,082)
Less: Unauthorized expenditure reversed condonedment	-	42,960,082
	44,269,845	**44,269,845**

The Fruitless and Wasteful expendture for 2014/2015 will also be unauthorised as it was not fully budgeted for, but in terms of Circular 68 Unauthorized, Irregular and Fruitless and Wasteful expenditure is one category and therefore it is only disclosed under Fruitless and Wasteful expenditure.

The unauthorised expenditure for the financial year 2013/2014 was, due to expenditure (non-cash items) which were not budgeted for in the annual and adjustment budget. The line item that created the unauthorized expenditure is the TMT Services expenditure. The TMT services generated more revenue received by ELM than anticipated (which means the revenue budget was exceeded) and therefore the contra transaction for expenditure related to this services exceeded the budget expenditure. This expenditure is still under investigation

The unauthorised expenditure for the financial year 2012/2013 was, due to expenditure (non-cash items) which were not budgeted for in the annual and adjustment budget. These two items is:
1) Depreciation
2) Provision Landfill site rehabilitation

The unauthorised expenditure for the financial year 2012/2013were condoned by council but in terms of Circular 68 it was to be investigated and therefore this expenditure is still under investigation.

42. Fruitless and wasteful expenditure

	2015	Restated 2014
Opening balance	3 296 037	1 134 283
Fruitless and wasteful expenditure incurred during the year	4 080 324	2 161 754
Fruitless and wasteful expenditure condoned during the year	-	(1 729 787)
Less: Fruitless and wasteful expenditure reversed condonedment	-	1 729 787
	7 376 361	**3 296 037**

The 2014/2015 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors. As per Circular 68 all Fruitless and wasteful expenditure should be investigated and therefore these expenditure is currently still under investigation

The 2013/2014 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors. A draft report on the fruitless and wasteful expenditure have been submitted and condoned, but additional transactions will reflect in the final report and this report will still have to be submitted to council. As per Circular 68 all Fruitless and wasteful expenditure should be investigated and therefore these expenditure is currently still under investigation

The 2012/2013 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors. The amount of fruitless and wasteful expenditure increase due to prior year error and therefore prior error transactions will still have to be submitted to council. As per Circular 68 all Fruitless and wasteful expenditure should be investigated and therefore these expenditure is currently still under investigation.

Figures in Rand	2015	Restated 2014

43. Irregular expenditure

	2015	Restated 2014
Opening balance	5 137 258	1 736 285
Add: Irregular Expenditure - current year	2 316 094	3 400 973
Less: Amounts condoned	-	(3 400 973)
Add: Reversed amount condoned	-	3 400 973
	7 453 352	**5 137 258**

Details of irregular expenditure – current year to be send for investigation before condonement

	Disciplinary steps taken/criminal proceedings	
SCM: Less than three quotations obtained	None	2 316 094

Details of irregular expenditure not recoverable (not condoned)

The 2012/2013 and 2013/2014 irregular expenditure that were incurred as per Circular 68 all Irregular expenditure should be investigated and therefore these expenditure is currently still under investigation.	5 137 258

44. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% will be treated as material differences between the final budget and the actual amounts.

Statement of Performance:

1) Rental facilities - the variance is attributable to the fact that the municipality had leased municipal property.

2) Income from agency - the variance is attributable to the fact that licensing department collected more money on behalf of the Mpumalanga Provincial Government for Learners licences, Card licences etc, which lead to the municipality earning more revenue for services rendered than anticipated.

3) Other income - actual receipts exceeding budget for the lgseta incentives received that was more than anticipated and sundry funds were receive of which was more than budgeted amount.

4) Interest received - interest earned on the investment accounts have yield more interest than anticipated due to more amounts invested than anticipated.

5) Property rates - MEC resolution was taken to prohibit the municipality to bill according to the valuation roll of 2014/2015, instead the municipality had to bill rates in the current year according to the valuation roll of 2013/2014.

6) Public contributions and donations - the variance is attributable to a donation received which was not confirmed at the time of the budget, but which realized.

7) Fines - the variance is attributable to the fact that the traffic fines collected were more than anticipated for the current year whereby the services of TMT Service were utilised.

8) Personnel - the non realising of the budget is due to vacancies that is not yet filled.

9) Administration - due to cash flow circumstances the planned administration cost were not incurred.

10) Depreciation and amortization - a new asset register back dating to 2009 has been introduced as a prior year error to the financial statements, which results the actual values to be less than original anticipated.

44. Budget differences (continued)

11) Finance cost - due to cash flow circumstances the municipality is incurring interest and penalties from the creditors which is higher than anticipated .

12) Repairs and maintenance - due to cash flow circumstances the planned repairs and maintenance where not executed as budgeted.

13) Gain/(loss) on sale of assets - properties of which deposits have been received were not transferred yet therefore the actual did not yield as anticipated.

14) Gain/(loss) on actuarial valuation - the variance is due to the fact that a loss was budgeted for and instead the actual was a gain.

15) Loss of cash - the was actual cash that was not deposited by SBV into the municipal primary bank account.

16) Debt impairment - the estimate calculation for provision of bad debts resulted to be a decrease in the provision for the current year whereby the budget done on the basis that the provision whould increase.

....

Statement of Position:

17) Inventories - the budget amount was lower than the actual inventory amount at year end, due to land parcels that can be sold have not been budget for as it realised with the new asset register being uploaded.

18) Receivables from non-exchange transaction - the budget amount was lower than the actual receivables from non-exchange, due to no budget amount provided for accrued revenue at year end.

19) Receivables from exchange transaction - the budget for exchange tr   ansactons were lower than the actual amount, due to the estimate of impairment of consumer debtors were budget to increase which would lead the fair value of debtors to decrease, but instead the impairment decreased which resulted the fair value of debtors to increase.

20) Cash and cash equivalent - the variance is due to the actual short term investement amount was more than was estimated to have been at year end.

21) Investment propert - a new asset register back dating to 2009 has been introduced as a prior year error to the financial statements, which results the actual values to be more than original anticipated

22) Property, plant and equipment - a new asset register back dating to 2009 has been introduced as a prior year error to the financial statements, which results the actual values to be more than original anticipated.

23) Heritage assets - a new asset register back dating to 2009 has been introduced as a prior year error to the financial statements, which results in heritage assets being accounted for which was not budgeted.

24) Non-current assets held for sale - a new asset register back dating to 2009 has been introduced as a prior year error to the financial statements, which results in Non-current assets held for sale being accounted for which was not budgeted.

25) Payables from exchange transactions - the variance is due to the actual trade creditors amount was more than was estimated to have been at year end and while no budget was provided for consumer debtors being in advance, unallocated amount and deferred revenue.

26) Payables from non-exchange transactions - the budget amount was lower than the actual receivables from non-exchange, due to no budget amount provided for pre-paid deposits at year end.

27) VAT payable - the variance is due to the actual amount payable to be lower than what was estimated, due to VAT being paid regularly while it was estimated to not being paid regularly because of the cash flow contrains.

28) Unspent conditional grants - the amount estimated to be unspent at year end was budget to be less than the actual unspent grants, as it was not estimated that the FMG grant would have been so under spent.

44. Budget differences (continued)

29) Provisions (current liability) - the variance is due to no amount budgeted for other provisions under current liabilities.

30) Long service awards(current liability) - the variance is attributal due to the fact that no budget was provided for the current liability, only for non-current liability.

31) Provisions (non-current liability) - the budget amount was lower than the actual provision amount, due to the increase in adjustment of the provision for landfill site rehabilitation.

32) Long service awards(non-current liability) - the variance is attributal due to the fact that no budget was provided for the current liability only for non-current liability, which resulted in the budget being more under non-current than the actual non-current liability.

33) Accumulate surplus - a new asset register back dating to 2009 has been introduced as a prior year error to the financial statements, which results in the Accumulated surplus to increase as a result of assets in prior year being expensed instead of capitalised.

....

Cashflow statement:

34) Sale of goods and services - the variance is attributal due to the fact that no budget was provided for the adjustment to profit/loss and adjustment to working capital, which resulted in the budget being higher than the actual amount.

35) Interest income - the variance due to the actual amount of interest earned being more than budgeted amount, as more short term investments were made than what was anticipated.

36) Employee cost - the variance is due high vacancy rates which resulted in the budget being higher than the actual amount.

37) Suppiers - he variance is attributal due to the fact that no budget was provided for the adjustment to profit/loss and adjustment to working capital, which resulted in the budget being higher than the actual amount.

38) Finance cost - the variance is due to the amount of interest paid to creditors being higher than what was anticipated. The higher interest is because of the cash flow constrains the municipality is experiencing.

39) Purchase of property, plant and equipment - the variance is due to the fact that no amount ws budgeted for the donations received from Nkangala District municipality.

40) Disposal of property, plant and equipment - the variance is attributal due to the fact that a lower amount was budgeted than the actual amount at year end.

41) Movement in long service awards - the variance is due to the fact that no amount ws budgeted for the movement in long service awards.

42) Other cash items - the variance is due to a budget for consumer deposits under Financing activities while the actual is realising under Operating activities as adjustment to working capital.

43) Net increase/(decrease) in cash and cash equivalents - the Operating activities total resulted to be less than budgeted while the Investing activites and Financing activities actuals being more than what was budgeted, which resulted in the actual net increase being for less than the net increase that was budgeted.

44) Cash and cash equivalents at the beginning of the year - the amount budgeted as the value at the beginning of the year was estimated to be in overdraft while the actual value begining of the year yielded to be a positive balance.

Notes to the Financial Statements

Figures in Rand	2015	Restated 2014

45. Losses

Electricity losses:	2015	2014
Total sales in KWH	28 810	-
Internal usage in KWH	6 000	-
Total reticulation KWH	2 870	-
Total KWH Purchased	41 560	-
Losses in Kwh	3 880	-
Electricity losses in Rand	**2 677 200**	**-**

Water losses:	2015	2014
Total production in mega liters	3 924	-
Total sales in mega liters	2 534	-
Total loss in mega liters	892	-
Water losses in Rand	**1 828 190**	**-**

46. Deviation from procurement processes

Refere to Appendix D for the report on deviation from procurement processes.

Emakhazeni Local Municipality
Appendix A
June 2015

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Capitalized during the period Rand	Redeemed/ repayment during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Lease liability			-	-	-	-	-	-
Total external loans			-	-	-	-	-	-

Emakhazeni Local Municipality
Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposal/Transfer Rand	Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Rand	Rand	Closing Balance Rand	Carrying value Rand
COMMUNITY											
Establishment of Parks and Gardens	3 240 294	-	-	-	**3 240 294**	(8 494 246)	(324 834)	-	-	**(8 819 080)**	(5 578 786)
Sportfields	4 128 731	-	-	-	**4 128 731**	(4 835 147)	(330 466)	-	-	**(5 165 613)**	(1 036 882)
Community Halls	2 657 965	-	-	-	**2 657 965**	(2 545 351)	(97 376)	-	-	**(2 642 727)**	15 238
Cemetery	2 083 638	-	-	-	**2 083 638**	(1 290 693)	(194 706)	-	-	**(1 485 399)**	598 239
	12 110 628	**-**	**-**	**-**	**12 110 628**	**(17 165 437)**	**(947 382)**	**-**	**-**	**(18 112 819)**	**(6 002 191)**
INFRASTRUCTURE											
Roads, Pavements & Bridges and Storm water	175 121 800	4 612 517	-	-	**179 734 317**	(189 314 025)	(11 515 988)	-	-	**(200 830 013)**	(21 095 696)
Electricity	66 936 615	3 366 677	-	-	**70 303 292**	(72 420 005)	(6 558 523)	-	-	**(78 978 528)**	(8 675 236)
Sewer/Sanitation	154 817 941	6 880 627	-	-	**161 698 568**	(123 890 332)	(10 073 437)	-	-	**(133 963 769)**	27 734 799
Water	144 414 643	6 314 257	-	-	**150 728 900**	(112 140 918)	(8 453 107)	-	-	**(120 594 025)**	30 134 875
	-	-	-	-	-	-	-	-	-	-	-
	541 290 999	**21 174 078**	**-**	**-**	**562 465 077**	**(497 765 280)**	**(36 601 055)**	**-**	**-**	**(534 366 335)**	**28 098 742**
LAND & BUILDINGS											
Land	6 662 352	-	(1 576 400)	-	**5 085 952**	-	-	-	-	-	5 085 952
Buildings	34 857 128	1 195 976	-	-	**36 053 104**	(34 238 149)	(1 605 231)	-	-	**(35 843 380)**	209 724
	-	-	-	-	-	-	-	-	-	-	-
	41 519 480	**1 195 976**	**(1 576 400)**	**-**	**41 139 056**	**(34 238 149)**	**(1 605 231)**	**-**	**-**	**(35 843 380)**	**5 295 676**

Emakhazeni Local Municipality
Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposal/Transfer Rand	Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Rand	Rand	Closing Balance Rand	Carrying value Rand
HERITAGE											
Heritage	10 255 716	-	-	-	**10 255 716**	-	-	-	-	-	10 255 716
	10 255 716	**-**	**-**	**-**	**10 255 716**	**-**	**-**	**-**	**-**	**-**	**10 255 716**
OTHER ASSETS											
Computer Equipment	1 248 774	9 824	-	-	**1 258 598**	-	(184 732)	-	-	**(184 732)**	1 073 866
Motor Vehicles	19 349 816	543 113	-	-	**19 892 929**	(219 255)	(1 020 378)	-	-	**(1 239 633)**	18 653 296
Office Equipment	647 831	6 119	-	-	**653 950**	(1 731)	(64 004)	-	-	**(65 735)**	588 215
Office Furniture and Fittings	2 953 956	17 218	-	-	**2 971 174**	-	(335 123)	-	-	**(335 123)**	2 636 051
Plant and Equipment	2 139 592	-	-	-	**2 139 592**	-	(321 555)	-	-	**(321 555)**	1 818 037
	26 339 969	**576 274**	**-**	**-**	**26 916 243**	**(220 986)**	**(1 925 792)**	**-**	**-**	**(2 146 778)**	**24 769 465**
TOTAL PROPERTY, PLANT & EQUIPMENT											
COMMUNITY	12 110 628	-	-	-	**12 110 628**	(17 165 437)	(947 382)	-	-	**(18 112 819)**	(6 002 191)
INFRASTRUCTURE	541 290 999	21 174 078	-	-	**562 465 077**	(497 765 280)	(36 601 055)	-	-	**(534 366 335)**	28 098 742
LAND & BUILDINGS	41 519 480	1 195 976	(1 576 400)	-	**41 139 056**	(34 238 149)	(1 605 231)	-	-	**(35 843 380)**	5 295 676
HERITAGE	10 255 716	-	-	-	**10 255 716**	-	-	-	-	-	10 255 716
OTHER ASSETS	26 339 969	576 274	-	-	**26 916 243**	(220 986)	(1 925 792)	-	-	**(2 146 778)**	24 769 465
	631 516 792	**22 946 328**	**(1 576 400)**	**-**	**652 886 720**	**(549 389 852)**	**(41 079 460)**	**-**	**-**	**(590 469 312)**	**62 417 408**
INTANGIBLE ASSETS											
Computers - software	663 323	-	-	-	**663 323**	(362 391)	(209 126)	-	-	**(571 517)**	91 806
	663 323	**-**	**-**	**-**	**663 323**	**(362 391)**	**(209 126)**	**-**	**-**	**(571 517)**	**91 806**

Emakhazeni Local Municipality
Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposal/Transfer Rand	Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Rand	Rand	Closing Balance Rand	Carrying value Rand
INVESTMENT PROPERTIES											
Land	65 844 793	-	-	-	**65 844 793**	-	-	-	-	-	65 844 793
Buildings	10 435 744	-	-	-	**10 435 744**	-	-	-	-	-	10 435 744
	76 280 537	**-**	**-**	**-**	**76 280 537**	**-**	**-**	**-**	**-**	**-**	**76 280 537**
TOTAL											
COMMUNITY	12 110 628	-	-	-	**12 110 628**	(17 165 437)	(947 382)	-	-	**(18 112 819)**	(6 002 191)
INFRASTRUCTURE	541 290 999	21 174 078	-	-	**562 465 077**	(497 765 280)	(36 601 055)	-	-	**(534 366 335)**	28 098 742
LAND & BUILDINGS	41 519 480	1 195 976	(1 576 400)	-	**41 139 056**	(34 238 149)	(1 605 231)	-	-	**(35 843 380)**	5 295 676
HERITAGE	10 255 716	-	-	-	**10 255 716**	-	-	-	-	-	10 255 716
OTHER ASSETS	26 339 969	576 274	-	-	**26 916 243**	(220 986)	(1 925 792)	-	-	**(2 146 778)**	24 769 465
INTANGIBLE ASSETS	663 323	-	-	-	**663 323**	(362 391)	(209 126)	-	-	**(571 517)**	91 806
INVESTMENT PROPERTIES	76 280 537	-	-	-	**76 280 537**	-	-	-	-	-	76 280 537
	708 460 652	**22 946 328**	**(1 576 400)**	**-**	**729 830 580**	**(549 752 243)**	**(41 288 586)**	**-**	**-**	**(591 040 829)**	**138 789 751**

Emakhazeni Local Municipality
Appendix C
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants		Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share		16 736 000	14 093 000	-	11 451 000	16 736 000	14 093 000	-	11 451 000	Yes
Municipal Systems Improvement		934 000	-	-	-	-	-	233 739	618 805	Yes
Financial Management		1 800 000	-	-	-	54 212	98 358	79 656	312 710	Yes
Municipal Infrastructure		7 139 000	-	10 093 000	-	583 303	8 081 513	2 807 895	5 759 290	Yes
Integrated National Electrification Programme		-	-	-	-	-	-	-	-	Yes
Expanded Public Works Programme Incentive Grant		494 000	370 000	371 000	-	153 297	324 574	324 651	306 060	Yes
		27 103 000	14 463 000	10 464 000	11 451 000	17 526 812	22 597 445	3 445 941	18 447 865	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

APPENDIX D

DEVIATION FROM PROCUREMENT PROCESSES

Approval for obtaining only 1 (one) quotation in terms of paragraph 17 (c) of the supply chain management policy

No.	Description of services required	Requesting department	Approved service provider	Value of project / services/ goods	Reasons for deviation	Date of decision
1	Servicing of Toyota Dyna Cheery-Picker	Fleet management services	Barloworld Toyota Middelburg	59,109.12	Impractical to follow the official procurement process (Strip and Quote)	01/07/2014
2	Test Material for leaner's licence	Community Services	Mindmuzik Media (Pty)Ltd	6,762.23	Materials only available from one service provider	02/08/20014
3	Verification of National Leaner's Database of the South African Qualifications	Community Services	SAQA	3,500.00	Service only available from one service provider	02/08/2014
4	Licensing Materials	Community Services	Government Printing	7,007.92	Materials only available from one service provider	02/08/2014
5	Service of a truck – FXW 571MP	Fleet management services	Republic Bus and Truck CC	14,403.92	Service only available from one service provider (Strip and Quote)	01/10/2014
6	Service of a truck – FXX 597MP	Fleet management services	Republic Bus and Truck CC	11,706.44	Service only available from one service provider (Strip and Quote)	01/10/2014
7	Service of a truck – FXW 581MP	Fleet management services	Republic Bus and Truck CC	9,304.45	Service only available from one service provider (Strip and Quote)	01/10/2014
8	Service of a TLB – FYH 478MP,1 500 Hours	Fleet management services	Bell Equipment Sales South Africa	10,986.62	Service only available from one service provider (Strip and Quote)	01/10/2014
9	Service of a TLB – FYH 464MP,2 000 Hours	Fleet management services	Bell Equipment Sales South Africa	25,137.10	Service only available from one service provider (Strip and Quote)	01/10/2014
10	Service of a TLB – FYH 472MP,1 500 Hours	Fleet management services	Bell Equipment Sales South Africa	12,420.97	Service only available from one service provider (Strip and Quote)	01/10/2014
11	Service of a Grader – FYH 478MP,1 000 Hours	Fleet management services	Babcock Africa Services	14,076.32	Service only available from one service provider (Strip and Quote)	01/10/2014
12	Servicing of a tractor – FNR 460 MP	Fleet management services	Middelburg Boerdery Benodigdhede	21,883.27	Strip and quote approach	15/03/2012
13	Service of Grader- HFZ 894 MP	Fleet management services	Volvo Bacbcock International Group (pty) Ltd	6,183.84	Strip and quote approach	15/03/2012
14	Service of an Isuzu truck – FMG 509 MP	Fleet management services	Solly`s Middelburg	33,255.11	Strip and quote approach	15/03/2027
15	Service of an Isuzu truck – FHB 733 MP	Fleet management services	Solly`s Middelburg	20,380.80	Strip and quote approach	15/03/2012

APPENDIX D

DEVIATION FROM PROCUREMENT PROCESSES

16	Service of a MAN truck – FXV 225 MP	Fleet management services	MAN Middelburg	25,108.99	Strip and quote approach	15/03/2012
17	Purchase of Hydraulics related part for a truck – CRK 563 MP	Fleet management services	TTC Hydraulics Mpumalanga	6,351.81	This is the only Hydraulics and related supplier within a geographical area	15/03/2012
18	Purchase of Face value forms (Licensing)	Community Services	Department of community safety, security and liaison	4,690.70	This is a sole supplier for the face value forms	15/02/2026
19	Servicing to Toyota Land cruiser with Reg No. HHs 266 MP	Fleet Management services	Lydtoy Motors (Pty) Ltd	8,112.97	This is a Toyota Garage, as the vehicle` make is Toyota	09/06/2015
20	Servicing to Toyota Land cruiser with Reg No. HHs 262 MP	Fleet Management services	Lydtoy Motors (Pty) Ltd	15,703.52	This is a Toyota Garage, as the vehicle` make is Toyota	09/06/2015
21	Procurement of a two-way Communicating radio and its Batteries for our Traffic Management Section.	Community Services	Witbank Tools	85,038.30	This is for continuity purposes, since the Municipality was using this system in the past and we need to acquire the upgrade of the same system from the same service provider	30/06/2015
22	Replacement of a stolen electrical cable	Technical Services	Kgwebisano Supplies & Services	29,982.00	This was an urgent matter as the other service providers could not submit in time while the community members of Siyathuthuka were without electricity	03/10/2015
23	Supply and install 11kv XLPE joint	Technical Services	Kgwebisano Supplies & Services	23,370.00	The service was urgent as there was a power outage on the supply feeding Entokozweni Community	31/03/2015
24	Rewind and fit new Bearings into 45KW 2P 400V MOTOR	Technical Services	Babata Pumps (Pty)Ltd	20,959.74	The service was urgent since the worn-out bearings were resulting is water Supply distractions	21/01/2015
25	Wash, Bake and Install new bearing into 45KV 400V	Technical Services	Babata Pumps (Pty)Ltd	12,655.62	The service was urgent since the worn-out bearings were resulting is water Supply distractions	21/01/2015
26	Supply and delivery of 22KV / 415V 200KVA Pole Mounted Transformers	Technical Services	Mayivuthe Contractors	112,290.00	The service was urgent as untreated sewer posses danger to biodiversity	30/06/2015
				R 600,381.76		